

STATE OF NEW HAMPSHIRE

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2002



Prepared by the Department of Administrative Services

Donald S. Hill, Commissioner
Thomas E. Martin, Comptroller
Sheri L. Walter, Director

Division of Accounting Services

This document and related information can be accessed at www.state.nh.us/das/accounting



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Jeanne Shaheen
Governor
State of New Hampshire

STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR



JEANNE SHAHEEN
GOVERNOR

To: The Honorable Members of the Legislature
and the Citizens of the State of New Hampshire

I am pleased to accept the *Fiscal Year 2002 State of New Hampshire Comprehensive Annual Financial Report*.

Our state continues to be one of the best places in the nation to live, work and raise a family. Although we have not been immune to the national economic slowdown, New Hampshire continues to fare better than most states. Our unemployment rate is still one of the lowest in the nation and economists predict New Hampshire will lead New England out of the recession.

Across the nation, the recession has impacted state revenues. Although New Hampshire's budget is in better shape than most, I took aggressive action to address the shortfall in state revenues: freezing state hiring and purchasing in fiscal year 2002 and directing state agencies to cut their budgets in fiscal years 2002 and 2003. Our ability to weather this storm is helped by the \$35 million we added to the state's Rainy Day Fund at the end of fiscal year 2001, which nearly tripled the fund.

As you will see in the following pages, during the past fiscal year, we made significant progress on issues important to the citizens of New Hampshire: protecting the environment, improving the security of our state and its citizens, protecting workers, and boosting the economy. Highlights include:

- Preserving for future generations the 171,500 acres of wilderness in northern New Hampshire formerly owned by the International Paper Company.
- Enacting the landmark Clean Power Act making New Hampshire the first state in the nation to legislatively require the owners of fossil fuel power plants to take steps to reduce emissions of four pollutants – nitrogen oxide, sulfur oxide, carbon dioxide and mercury.
- Increasing unemployment benefits for workers who lose their jobs while keeping the unemployment insurance tax that businesses pay the second lowest in the nation.
- Protecting emergency responders and the public with a new law toughening the penalties on people who commit hoaxes relating to chemical or biological weapons.
- Ensuring that National Guard members activated for state duty will get their jobs back and receive other important legal protections.
- Empowering the Governor to protect water supplies in an emergency, such as a natural disaster or a terrorist attack.
- Requiring new large water users to put in place common-sense water conservation measures to receive a water withdrawal permit.
- Enhancing our Children's Health Insurance Program. In fiscal year 2002 the state began matching for the first time the private and federal funding for the program, which will allow virtually every eligible child to enroll. More than 21,000 previously uninsured children have received health insurance through our innovative program.

I am proud of these accomplishments and all the progress we have made over the last six years. Serving as your Governor was the highest honor and privilege of my public life. I would like to take this opportunity to thank you for your support, and to thank our great state employees for all their work and dedication. Without their efforts, much of the progress we made would not have been possible.

Very truly yours,

Jeanne Shaheen



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2002

Executive Branch

Governor Jeanne Shaheen

Executive Council

Raymond S. Burton, District 1

Peter J. Spaulding, District 2

Ruth L. Griffin, District 3

J. Raymond Wieczorck, District 4

David K. Wheeler, District 5

Attorney General

Philip T. McLaughlin

Commissioner of Administrative Services

Donald S. Hill

Commissioner of the Treasury

Michael A. Ablowich

Secretary of State

William M. Gardner

Judicial Branch

Chief Justice of the Supreme Court

David A. Brock

Legislative Branch

President of the Senate

Arthur P. Klemm, Jr.

24 Senators

Speaker of the House of Representatives

Gene G. Chandler

400 Representatives

STATE OF NEW HAMPSHIRE

ORGANIZATION CHART



LEGISLATIVE

Senate
House of Representatives
Legislative Services
Legislative Budget Assistant

EXECUTIVE

Governor
and
Council

JUDICIAL

Supreme Court
Superior Court
District Court
Municipal Court
Probate Court

STATE AGENCIES AND COMPONENT UNITS (*)

GENERAL GOVERNMENT

Administrative Services
Cultural Resources
Executive Office
NH Retirement System*
Revenue Administration
Secretary of State
State Treasury

ADMINISTRATION OF JUSTICE AND PUBLIC PROTECTION

Adjutant General
Agriculture, Markets & Food
Banking
Corrections
Employment Security
Highway Safety
Insurance
Justice
Labor
Liquor Commission
Pari-Mutuel Commission
Public Deposit Investment Pool
Public Utilities Commission
Safety

RESOURCE PROTECTION AND DEVELOPMENT

Business Finance Authority*
Environmental Services
Fish and Game
Community Development Finance
Authority*
Pease Development Authority*
Resources and Economic Development

TRANSPORTATION

Transportation

HEALTH AND SOCIAL SERVICES

Health and Human Services
Veterans' Council
Veterans' Home
Youth Development Services

EDUCATION

Education
Postsecondary Education Commission
NH Community Technical College
System
Sweepstakes Commission
University System of New Hamp-
shire*

December 16, 2002

To: The Citizens of New Hampshire,
Her Excellency the Governor
and the Honorable Council

In accordance with the Revised Statutes Annotated (RSA) 21-I:8,I,(h), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 2002. This report has been prepared by the state Department of Administrative Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the state. The basic financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB).

The CAFR is presented in three major sections:

- The Introductory Section includes this transmittal letter, the state's organization chart, and summary financial information.
- The Financial Section includes the independent auditors' report, management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements for governmental funds, proprietary funds, fiduciary funds together with notes to the basic financial statements, required supplementary information and combining financial statements.
- The Statistical Section contains selected financial, demographic, and economic data.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

The financial reporting entity includes all funds of the state as legally defined, as well as all of its component units. Component units are legally separate entities for which the state is financially accountable. Note 1 to the Basic Financial Statements provides a more complete description of the state's reporting entity. The state provides a full range of services including: the construction and maintenance of highways and infrastructure, education, health and social services, public safety, conservation of natural resources, economic development, and recreation facilities and development.

New Hampshire's Economic Outlook

Despite stagnant economic conditions, New Hampshire continues to retain its advantages of being a medium cost state in a high cost area with its low unemployment rates, low tax burdens, highly skilled workforce, and small and accessible government. In addition, New Hampshire's proximity to metropolitan Boston will mean continued migration of people and business into the state.

Another boost to NH's future economic development is its continued high quality of life. According to Morgan Quitno's Most Livable State Awards, NH has showed the most improvement of any state moving 10 points up from its 13th ranking last year to 3rd in the nation in 2002 and 1st in New England.

<i>New Hampshire's Economic Scoreboard for 2002</i>		
<i>Categories</i>	<i>NH's National Rank</i>	<i>NH's Rank in New England</i>
Favorable Tax Climate	1st	1st
Healthiest State (Morgan Quitno, 2001)	4th	2nd
Standard of Living (by Poverty Rate)	2nd	1st
Child and Family Well-Being (Annie E. Casey, 2001)	2nd	1st
Safest State (Morgan Quitno, 2001)	3rd	1st
Most Livable State (Morgan Quitno, 2001)	3rd	1st
College Educated Population	8th	3rd

Source: New Hampshire Economic Review, Public Service of New Hampshire

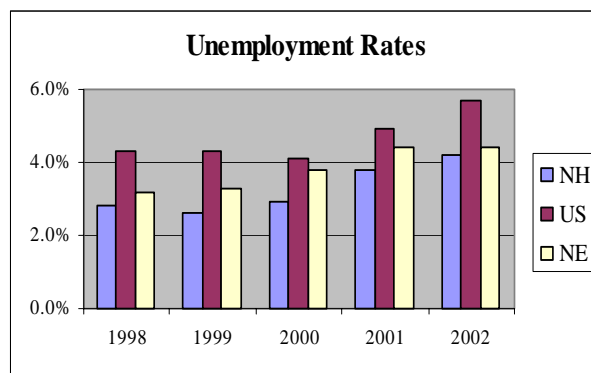
Along with the nation, the New England economy is struggling to recover and investor, business and consumer confidence is at a nine year low. The New England economy is expected to improve slowly with modest growth beginning in the first quarter of 2003. However growth is not expected to return to the levels seen in the late 1990s. New Hampshire is anticipated to be the first New England state out of the recent recession.

Commercial real estate is lagging with vacancy rates up over last year but the residential sector is still strong. Homeowner vacancy is down 1% and lower interest rates have helped contribute to the rising housing demands, which in turn have kept home prices high. Stimulated by the aggressive Federal Reserve Bank's fiscal policies, which reduced interest rates, homeowner refinancing has occurred at record levels. Consumers have stockpiled cash for investments and use in home improvements rather than debt repayment, leaving cash un-

spent. The growth in real estate wealth has partially offset the more than \$7 trillion decline in the stock market since the late 1990s.

Although unemployment is expected to increase, New Hampshire is expected to remain below both the US average and that of the region. The slow labor force growth and population increases are expected to keep the labor markets relatively tight.

It is predicted that NH will be the only New England state to grow above the US average and is currently ranked 6th as the best state with favorable policy climates for small businesses. The economy in the North County is reviving, due to the reopening of the paper mills and the new job opportunities from the Berlin State Prison. In addition, the tech-wreck affecting the Southern Tier and Seacoast region is slowing. Over the last decade, New Hampshire's household income is up substantially and the workforce is better educated. It is predicted that the health service industry will grow faster than in the past, which should offset the slower growth in manufacturing, business services, and trade.



Information provided by the New England Economic Project, Ross Gittell - Whittemore School of Business and Economics, UNH, and Dennis Delay - Senior Economist, PSNH.

MAJOR INITIATIVES

Making Government Work Better

Today, economic and community development is being driven by advancements in information technology. Constituents, businesses and other stakeholders demand better services delivery systems from federal, state and local government. During fiscal year 2002, leaders of the State of New Hampshire began to work to reinvent the business processes within state government by planning for and implementing electronic Government initiative (e-Government).

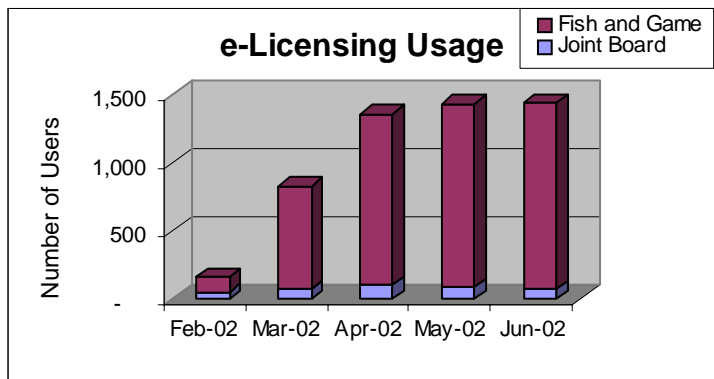
Statewide Strategic Information Technology Plan

This plan has been prepared by the state Department of Administrative Services, Division of Information Technology Management. It is the first such plan developed for the state, and it builds upon the report of the Governor's Information Technology Strategic Planning Commission issued in April 2002.

The theme for this plan, *"Careful and Responsible Management of the State's IT Resources,"* exemplifies the most critical success factor for the State. Balancing the need for planning with the need to implement timely, technology-based solutions will result in improved service to citizens and partners, ensure digital access to state government, protect the right to privacy in a digital environment, and maximize cost savings by increasing process efficiencies.

Electronic Government

The extensive planning effort in FY2002 has led the State to renew its commitment to e-Government. The use of new technologies can increase efficiency and effectiveness of the services the state provides. In February 2002 New Hampshire made significant progress in accomplishing its e-government goals by launching its first Internet services with renewals of Architects and Engineers professional licenses (Joint Board) and the sales of Fish and Game licenses.



Several other professional licensing applications, including those of Certified Public Accountants, are planned for FY 2003. NH's online services have enabled agencies to focus on their mission and improve services to their constituents. Adoption rates of 30% far exceed the national average.

Enterprise Resource Planning (ERP)

With a view to replacing the Department of Administrative Services central data processing system the department is in the process of contracting with an information technology vendor to aid in developing of Enterprises Resource Planning (ERP) requirements and acquisition. The current financial and human resource systems are eighteen years old and will only be supported by the vendor for approximately two more years.

The IT vendor will work with the state to create a statewide strategic business plan, determine statewide ERP business needs, recommend business process changes and create an ERP systems requirements report. They will assess the status of the state's central service technology structure, develop the ERP funding methodology and provide a cost/benefit analysis. In addition, the vendor will participate in the development of a request for proposal for the new ERP and aid in the selection of a software vendor and contract finalization.

FINANCIAL INFORMATION

Surplus Statement General and Education Funds (In Millions)

	FY 2000	FY 2001			FY 2002		
		General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	124.8	4.0	66.3	70.3	(0.0)	0.0	0.0
Additions:							
Unrestricted Revenue	1,775.5	1,155.9	670.5	1,826.4	1,152.3	804.9	1,957.2
Transfers of Appr from General Fund	39.6	-	40.6	40.6	-	65.7	65.7
Total Additions	1,815.1	1,155.9	711.1	1,867.0	1,152.3	870.6	2,022.9
Deductions:							
Appropriations Net of Estimated Revenues	(1,921.3)	(1,116.0)	(825.5)	(1,941.5)	(1,216.7)	(887.6)	(2,104.3)
Less Lapses	34.8	33.1	-	33.1	26.1	0.4	26.5
Total Net Appropriations	(1,886.5)	(1,082.9)	(825.5)	(1,908.4)	(1,190.6)	(887.2)	(2,077.8)
GAAP and Other Adjustments	11.0	7.1	-	7.1	16.9	-	16.9
HHS Revenue Enhancements (Shortfalls)	7.4	-	-	-	(11.8)	-	(11.8)
Net Other	18.4	7.1	-	7.1	5.1	-	5.1
Current Year Balance	(53.0)	80.1	(114.4)	(34.3)	(33.2)	(16.6)	(49.8)
Fund Balance Transfers (To)/From:							
Rainy Day Fund	-	(35.2)	-	(35.2)	-	-	-
Health Care Fund	(1.5)	(0.8)	-	(0.8)	11.9	-	11.9
Education Trust Fund	-	(48.1)	48.1	-	(16.6)	16.6	-
Undesignated Fund Balance, June 30,	70.3	(0.0)	0.0	(0.0)	(37.9)	0.0	(37.9)
Reserved for Rainy Day Account	20.0	55.2		55.2	55.2		55.2
Reserved for Health Care Fund	45.0	45.8		45.8	33.9		33.9
Total Equity	135.3	101.0	0.0	101.0	51.2	0.0	51.2

Due to the sluggish economic conditions, tax revenues fell short of estimates, which resulted in a combined General Fund and Education Fund Deficit of \$37.9 million as of June 30, 2002. Prior to inter-fund year-end transfers, the General Fund had a deficit balance of \$21.3 million and the Education Fund had a deficit balance of \$16.6 million. Since the General Fund provided cash to the Education Fund to help cover the Adequacy Grant payments, a transfer, in accordance with Generally Accepted Accounting Principles, in the amount of \$16.6 million was recorded to eliminate the Education Fund deficit.

The Revenue Stabilization Account (Rainy Day Fund) remained at \$55.2 million as a result of a \$35.2 million transfer made in fiscal year 2001. At the end of the biennium (June 30, 2003), if the general fund is in a deficit position and revenues fall short of estimates, then transfers from the Rainy Day Fund will cover any deficits that may occur.

Chapter 208 of the Laws of 2002 provided for supplemental appropriations of \$11.8 million for human services programs. The Health Care Fund (HCF) was charged for this appropriation due to shortfalls in anticipated Medicaid Enhancement Revenues. As a result, the HCF balance was reduced to \$33.9 million at June 30, 2002.

Since many of the revenue sources dedicated to the Education Fund are extensions of the state's traditional revenues, funding performance is presented on a combined basis. Unrestricted Revenue totaled \$1,957.2 million, which was a \$130.8 million increase over prior year. However, revenue fell short of legislative estimates by \$53.1 million. Revenue anticipated by tax rate increases for the following Business Taxes did not materialize when accompanied with the economic downturn:

Business Profits Tax (BPT) - Increased tax from 8.0% to 8.5%.
Business Enterprise Tax (BET) - Increased tax from .50% to .75%.

**Summary of General
and Education Funds Unrestricted Revenue**
GAAP Basis (In Millions)

Revenue Category	FY 2000	FY 2001			FY 2002		
		General	Education	Total	General	Education	Total
Business Profits Tax.....	\$ 168.8	\$ 179.6	\$ 15.8	\$ 195.4	\$ 128.6	\$ 32.6	\$ 161.2
Business Enterprise Tax.....	148.5	122.2	36.7	158.9	121.0	101.2	222.2
Subtotal.....	317.3	301.8	52.5	354.3	249.6	133.8	383.4
Meals & Rooms Tax.....	156.2	157.2	6.8	164.0	164.0	6.6	170.6
Tobacco Tax.....	95.0	61.0	25.4	86.4	60.3	24.0	84.3
Liquor Sales and Distribution.....	86.0	89.3	-	89.3	96.2		96.2
Interest & Dividends Tax.....	65.5	76.7	-	76.7	70.3		70.3
Insurance Tax.....	59.3	66.5	-	66.5	76.1	-	76.1
Communications Tax.....	47.8	49.0	-	49.0	64.7		64.7
Real Estate Transfer Tax.....	85.0	59.5	29.7	89.2	66.4	33.1	99.5
Estate and Legacy Tax.....	56.4	59.3	-	59.3	57.0		57.0
Transfers from Sweepstakes.....	61.5	-	59.4	59.4		66.1	66.1
Tobacco Settlement.....	54.2	-	38.7	38.7	5.7	40.0	45.7
Utility Property Tax.....	31.2	-	15.6	15.6		18.2	18.2
Property Tax Not Retained Locally.....	24.2	-	24.2	24.2		29.0	29.0
Property Tax Retained Locally.....	418.0	-	418.0	418.0		454.1	454.1
Other.....	130.9	137.4	0.2	137.6	127.5		127.5
Subtotal.....	1,688.5	1,057.7	670.5	1,728.2	1,037.8	804.9	1,842.7
Net Medicaid Enhancement Revenues.....	74.2	85.2	-	85.2	98.2		98.2
Subtotal.....	1,762.7	1,142.9	670.5	1,813.4	1,136.0	804.9	1,940.9
Other Medicaid Enhancement Revenues to Fund Net Appropriations.....	12.9	13.0	-	13.0	16.3	-	16.3
Total.....	\$ 1,775.6	\$ 1,155.9	\$ 670.5	\$ 1,826.4	\$ 1,152.3	\$ 804.9	\$ 1,957.2

Business Taxes revenue totaled \$383.4 million, which was an increase of \$29.1 million over prior year, but below estimates by \$60.5 million. Due to the combined filing of the BPT and the BET by taxpayers, it is not currently possible to accurately measure the individual effects of each tax increase. The Meals and Rooms Tax totaled \$170.6 million, which had a respectable increase of 4.0% over prior year but fell short of estimates by 3.1%. Due to increasing cost of health and other insurance lines, the Insurance Tax totaled \$76.1 million, which was a 14.4% increase over prior year.

While many states have had devastating revenue losses because of shortfalls in income tax proceeds related to declines in capital gains, New Hampshire's reliance on the statewide property tax and business enterprise tax have added relative stability to its revenue structure. The Statewide Property Tax totaled \$483.1 million, which makes up 25% of the state's total unrestricted revenue.

**Five Year Summary of General Fund
Revenues and Expenditures**
GAAP Basis (In Millions)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002*
Total Revenues, Transfers In and Other ...	\$ 1,278	\$ 1,360	\$ 1,313	\$ 1,423	\$ 2,412
Total Expenditures and Transfers Out ...	1,241	1,272	1,412	1,404	2,428
Revenues over (under) Expenditures ...	\$ 37	\$ 88	\$ (99)	\$ 19	\$ (16)

* In Fiscal 2002, the special fund, which was used to capture federal grants and state match, was combined with the general fund.

Budgetary Process

The state budget is prepared on a biennial basis. Prior to the start of each biennium, all departments of the state are required by law to transmit to the commissioner of the Department of Administrative Services requests for capital and operating expenses and estimates for revenue for the ensuing biennium. Following public hearings and consultation with various department heads, the Governor prepares a recommended budget. The budget is forwarded to the Legislature by February 15th of the odd year for consideration. The Legislature performs its review of the proposed budget and can make further adjustments. The budget passed by the Legislature is forwarded to the Governor to be enacted into law or to be vetoed.

The legal level of budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with prior approval from the Legislative Fiscal Committee and the Executive Council.

Internal Controls

Major fiscal responsibilities within the state are segregated among the following officials:

- **Department of Administrative Services** - The commissioner of Administrative Services, the assistant commissioner/budget officer and the comptroller are responsible for enforcing financial policy guidelines, developing the executive budget, collecting financial data from individual agencies, developing and reviewing appropriation control procedures, and compiling agency financial information.

- **Legislative Budget Assistant (LBA)** - The LBA, appointed by the Fiscal Committee, is responsible for ensuring that an annual audit is conducted of the state's general purpose financial statements prepared by the Department of Administrative Services. The LBA also provides staff assistance to the finance committees of the state Legislature. The LBA Audit Division performs various financial, compliance, and performance audits of state agencies.

- **State Treasurer** - The state treasurer, elected by the Legislature, is responsible for executing policy for the management of the state treasury and depositing and investing state funds as well as the issuing of general obligation and revenue bonds.

- **State Agencies** - Agency commissioners and directors are responsible for administering their agencies, in accordance with legislative and executive directives, to effectively service the citizens of the state.

Financial transactions for the various state agencies are recorded in the New Hampshire Integrated Financial System (NHIFS). The state's centralized accounting system and other accounting procedures were designed to provide various controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions. The Department of Administrative Services prepared the Internal Controls Tool Kit to further educate agency personnel in the importance of maintaining an effective internal control structure.

Cash and Investments

Cash deposits into the state treasury are coordinated jointly by the state treasurer and the state agencies. Cash is managed in pooled investment funds in order to maximize interest earnings. Investments are made in accordance with state statutes. Cash is primarily invested in United States Treasury and agency obligations and certificates of deposit. For the fiscal year ended June 30, 2002, the average daily balance of pooled investment funds was estimated at \$339.8 million, with an average yield of 2.9%. Total investment income was \$10.0 million for the year.

Insurance

Historically, the state has assumed the risk for fire, property, and general liability purposes, except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial to the general public. Commercial insurance is purchased by the state to cover such things as fleet automobile, watercraft and aircraft liability, ski area operations to protect the state from liabilities resulting from the state run facility, and a faithful performance position schedule bond to protect against dishonest acts of employees. Effective May 1, 2000, commercial insurance is purchased to cover state owned buildings in the event of a catastrophic loss.

Prior to July 1985, the state relied on the doctrine of sovereign immunity. Subsequently, legislation became effective creating the statute "Claims Against the State" in which sovereign immunity was waived to certain limits and would allow certain types of actions and claims to be brought against the state. The limits set by the statute are the basis for risk management programs.

OTHER INFORMATION

Audits

Pursuant to RSA 21-I:8,I,(h), the Legislative Budget Assistant may designate a certified public accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the state's basic financial statements. KPMG LLP, the designated certified public accountant, has performed an independent audit of the state's basic financial statements for the fiscal year ended June 30, 2002.

In order to comply with the Single Audit Act of 1984, the Legislative Budget Assistant also contracts for a single audit of the state as a whole, which will include a legal compliance report on all federal funds received by the state. This report (including a Schedule of Expenditures of Federal Awards received by the state and comments on internal accounting controls and compliance with laws, rules and regulations) will be published separately.

Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of New Hampshire for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. This was the fifth consecutive year that the state received this prestigious award.

In order to be awarded a certificate of achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both accounting principles generally accepted in the USA and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe our current report continues to comply with the program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

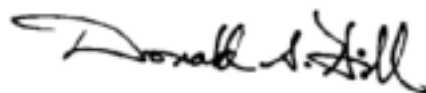
Annual Report to the Citizens

Again in fiscal year 2002, the Department of Administrative Services published the *Annual Report to the Citizens*. That report presents a simplified version of the financial information contained in the CAFR, as well as an overview of state operations and other nonfinancial data. A copy of the report may be obtained from the Department of Administrative Services, 25 Capitol St. Rm 310, Concord NH 03301, or from the department's web site at <http://www.state.nh.us/das/accounting/reports.htm>.

Acknowledgements

In submitting this report, I acknowledge the cooperation and assistance of all the state agencies and the dedication of the employees of the Department of Administrative Services.

Respectfully submitted,



Donald S. Hill, Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director



Financial Section





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INDEPENDENT AUDITORS' REPORT

To the Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of and for the year ended June 30, 2002, which collectively comprise the State of New Hampshire's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of any of the discretely presented component units and we did not audit the financial statements of the Investment Trust Funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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To the Fiscal Committee of the General Court
State of New Hampshire

As described in Note 1, the State of New Hampshire has implemented the following Governmental Accounting Standards Board Statements: Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 35 *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*; Statement No. 37 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38 *Certain Financial Statement Note Disclosures*, and Interpretation No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of June 30, 2002.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Hampshire’s basic financial statements. The combining financial statements and schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the State of New Hampshire. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management’s Discussion and Analysis on pages 16 through 21, and the budget to actual - budgetary basis schedule on pages 65 through 68 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2002, on our consideration of the State of New Hampshire’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The information included in the introductory and statistical sections of this report has not been subjected to auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

December 16, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial activities of the State of New Hampshire (the state) for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal, which can be found at the front of this report and with the state's financial statements, which follow this section.

Because this is the first year the state has implemented the new reporting provisions of the Governmental Accounting Standards Board's Statement No. 34 (GASB 34), this discussion and analysis provides limited comparisons to prior years. However, in future years, as will be required, comparisons will be more meaningful and will go further in explaining the state's financial position and changes in financial position.

FINANCIAL HIGHLIGHTS -PRIMARY GOVERNMENT

Government-Wide Highlights:

- **Net Assets:** The total assets of the state exceeded total liabilities at fiscal year ending June 30, 2002 by \$2.4 billion. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government (a condensed Statement can be seen in this MD&A section of this report). Of this amount, \$383.6 million was reported as unrestricted net assets, \$697.9 million was restricted net assets, and \$1,352.0 million was invested in capital assets. Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.
- **Changes in Net Assets:** The state's total net assets increased by \$35.1 million, or 1.5%, in fiscal year 2002. Net assets of governmental activities increased by \$42.9 million (2.4%), while net assets of the business-type activities showed a decrease of \$7.8 million (1.3%).

Fund Highlights:

- **Governmental Funds - Fund Balances:** As of the close of fiscal year 2002, the state's governmental funds reported a combined ending fund balance of \$390.0 million, a decrease of \$2.4 million in comparison with the prior year. Included in the combined governmental fund balance is the activity of the state's General Fund. The General Fund ended the fiscal year with an unreserved, undesignated deficit of \$37.9 million. The Revenue Stabilization account (Rainy Day Fund) remained at \$55.2 million and the Health Care fund decreased to \$33.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the state's basic financial statements. The state's basic financial statements include three components:

1. Government-Wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the state's finances. These statements (Statement of Net Assets and the Statement of Activities) provide both short-term and long-term information about the state's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

- The **Statement of Net Assets**, found on page 24 presents all of the state's non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as "net assets" instead of fund equity as shown on the Fund Statements. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the state is improving or deteriorating.
- The **Statement of Activities**, found on page 26 presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and licenses and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both of the government-wide financial statements have separate sections for three different types of state activities. These three types of activities are:

- **Governmental Activities:** The activities in this section represent most of the state's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the state include general government, administration of justice and public protection, resource protection and development, transportation, health and social services, and education.
- **Business-Type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the state include the operations of the:
 - Liquor Commission,
 - Sweepstake Commission,
 - Turnpike System, and
 - New Hampshire Unemployment Compensation Trust Fund.

- **Discretely Presented Component Units:** Component Units are entities that are legally separate from the state, but for which the state is financially accountable. The state's discretely presented component units are presented in the aggregate in these Government-Wide Statements and include the:
 - University System of New Hampshire (USNH),
 - Business Finance Authority,
 - Pease Development Authority, and
 - Community Development Finance Authority.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the notes to the financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements, focus on the individual parts of the state government, and report the state's operations in more detail than the government-wide statements. The state's funds are divided into 3 categories – governmental, proprietary and fiduciary. For governmental and proprietary funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with combining schedules in the Supplementary Section to support the Non-Major activities. Fiduciary Funds are reported by fiduciary type (pension, private-purpose, investment trust, and agency) with combining schedules in the supplementary section.

- **Governmental Funds:** Most of the basic services provided by the state are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the state's programs. The basic governmental fund financial statements can be found on pages 30-33.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements. Reconciliations are provided between the Governmental Fund Statements and the Government-Wide Statements, which can be found on pages 31 and 33.

The state's major governmental funds include the General Fund, Highway Fund, and Education Fund.

Individual fund data for each of the state's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 71-72.

- **Proprietary Funds:** The state's proprietary funds provide goods and services to the general public and charge a user fee. These activities are reported in 4 enterprise funds, all considered major funds. They include the operations of the Liquor Commission, Sweepstake Commission, Turnpike System and the New Hampshire Unemployment Trust Fund.

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary funds financial statements can be found on pages 36-38.

- **Fiduciary Funds and Similar Component Units:** These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the state's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting.

The state's fiduciary funds on pages 40-41 include the:

- Pension Trust Fund (which accounts for the activity of the state's New Hampshire Retirement System - a component unit of the state),
- Investment Trust Fund (which accounts for the activity of the external investment pool known as PDIP),
- Private-Purpose Trust Funds (which account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments), and
- Agency Funds (which account for the resources held in a pure custodial capacity).

Individual fund detail can be found in the combining financial statements in the Other Supplementary Information Section.

Major Component Units

The state has only one major component unit - the University System of New Hampshire and 3 non-major component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The basic financial statements for the component units have been presented in a condensed format located in Footnote 12 of the Notes to the Financial Statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 43.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the state's major governmental funds, and includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental and fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The state's combined net assets (government and business-type activities) totaled \$2.4 billion at the end of 2002, which was relatively unchanged when compared to the end of the previous year.

State of New Hampshire's Net Assets as of June 30, 2002			
(expressed in thousands)			
	Governmental Activities	Business-type Activities	Total Primary Government
Current assets	\$ 719,455	\$ 396,628	\$ 1,116,083
Capital assets	1,874,213	518,212	2,392,425
Other assets	275,188	78,090	353,278
Total assets	2,868,856	992,930	3,861,786
Long-term liabilities	668,392	337,807	1,006,199
Other liabilities	359,919	62,147	422,066
Total liabilities	1,028,311	399,954	1,428,265
Net assets:			
Invested in capital assets, net of related debt	1,214,131	137,890	1,352,021
Restricted	296,405	401,502	697,907
Unrestricted	330,009	53,584	383,593
Total net assets	\$ 1,840,545	\$ 592,976	\$ 2,433,521

The largest portion of the state's net assets (55.6%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

An additional portion of the state's net assets (28.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources such as the Health Care fund are not presented as restricted net assets and therefore are included as unrestricted net assets.

At the end of the current fiscal year, the state reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

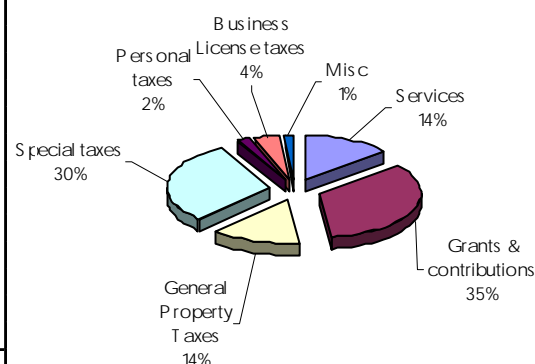
The state's net assets increased by \$35.1 million, or 1.5%, during the current fiscal year. Total revenue of \$4,262.3 million exceeded expenditures (\$4,219.5 million) and transfers out (\$7.7 million).

More than half of the state's revenue (56.8%) is from program revenue consisting of charges for goods and services, and federal and local grants and contributions. General taxes brought in \$1.8 billion in revenues.

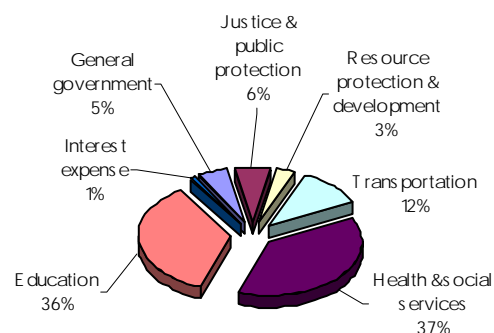
The state's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 32.2% and 30.6% of total expenditures, respectively. Education over the last few years has grown significantly due to the adequacy education grant payments made to schools as a result of the recent court decisions.

State of New Hampshire's Changes in Net Assets For Fiscal Year Ending June 30, 2002 (expressed in thousands)			
	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program revenues:			
Charges for services	\$ 491,257	\$ 726,970	\$ 1,218,227
Operating grants & contributions	1,003,587		1,003,587
Capital grants & contributions	200,429		200,429
General revenues:			
General Property Taxes	502,604		502,604
Special taxes	1,059,080		1,059,080
Personal taxes	84,222		84,222
Business License taxes	141,851		141,851
Interest	1,289		1,289
Miscellaneous	51,030		51,030
Total revenues	3,535,349	726,970	4,262,319
Expenses			
General government	185,269		185,269
Administration of justice and public protection	231,309		231,309
Resource protection and development	115,670		115,670
Transportation	419,048		419,048
Health and social services	1,358,774		1,358,774
Education	1,292,751		1,292,751
Interest Expense	30,609		30,609
Turnpike System		55,677	55,677
Liquor Commission		259,986	259,986
Sweepstake Commission		149,791	149,791
Unemployment Compensation		120,623	120,623
Total expenses	3,633,430	586,077	4,219,507
Increase (decrease) in net assets before transfers	(98,081)	140,893	42,812
Transfers	141,002	(148,727)	(7,725)
Increase(decrease) in net assets	42,921	(7,834)	35,087
Net assets, beginning of year (as restated)	1,797,624	600,810	2,398,434
Net assets, end of year	\$ 1,840,545	\$ 592,976	\$ 2,433,521

**Revenues - Governmental Activities
Fiscal Year Ending June 30, 2002**



**Expenses - Governmental Activities
Fiscal Year Ending June 30, 2002**

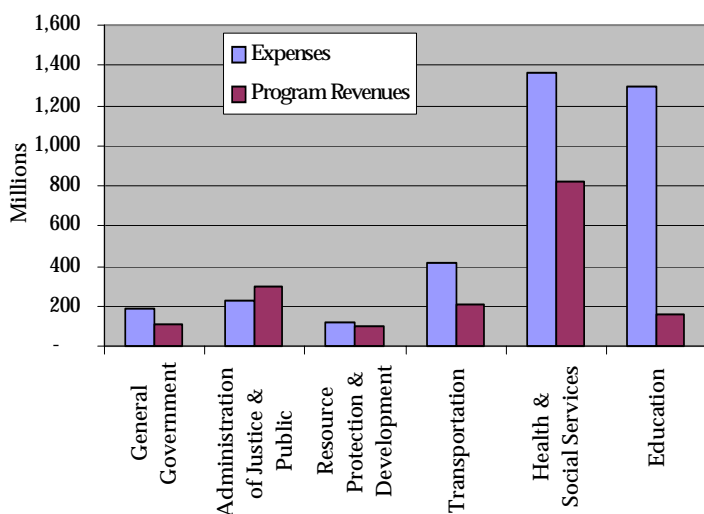


Governmental Activities

Governmental activity expenses exceeded revenues in fiscal 2002, thereby decreasing the state's net assets by \$98.1 million, before transfer activity. Incoming transfers of \$148.7 million were from the combined profits from the Liquor Commission and the Sweepstakes Commission. Outgoing transfers were to the Pease Development Authority (PDA) (\$7.7 million) in order to transfer the assets of the Port Authority. Effective July 1, 2001 through legislation, the assets and operations of the Port Authority were transferred from the state to PDA.

A comparison of the cost of services by function for the state's governmental activities with the related program revenues is shown below. Note that the largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these expenditures are least recovered from program revenues, the differences are made up from general revenues, which primarily represent state's taxes, such as the state-wide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rooms, interest and dividends, and road toll tax, etc.

Expenses and Program Revenues - Governmental Activities
Fiscal Year Ending June 30, 2002



Business-Type Activities

The charges for goods and services for the state's business type activities were more than adequate to cover the operating expenses. Net proceeds from the operations of the Liquor Commission contributed \$82.6 million, which were transferred to the General Fund to fund the general operations of the state. Net proceeds from the Sweepstakes Commission contributed \$66.1 million and were transferred to the Education Fund.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund of the state. At the end of the current fiscal year, the general fund had an unreserved, undesignated deficit balance of \$37.9 million, while total

fund equity was \$219.8 million. The deficit can be attributed to the effects of the sluggish economy and tax revenues falling short of estimates.

Education Fund

The education fund, before year-end transfers, had a deficit of \$16.6 million. The General Fund transferred the cash to bring the fund balance to zero at June 30. The deficit can be contributed to revenue shortfalls and increased spending. Expenditures grew this fiscal year by approximately 7.5% or \$61.7 million as a result of increases in the adequacy education grant payments.

Proprietary Funds

The state's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on page 65.

An additional \$264 million of General Fund expenditure appropriations and related funding from the federal government and other sources, were approved. Significant ones are noted below:

- Health and Social Services was granted additional appropriations as a result of increased revenue over estimates, including (but not limited to) \$82 million of Pro Share, \$23 million of Provider Payment Grants, \$5.7 million of Disproportionate Share and \$6.7 million of Hospital Uncompensated Care Receipts.
- The Department of Justice received \$19 million in federally funded grants broken out as follows: \$2 million for the Victims Crime Program, \$3 million for Criminal Justice System Improvements and \$14 million for expanding correctional facilities.
- Additional Educational appropriations were the result of \$20 million of federally funded grants for class size reduction, educationally deprived low-income students, and individuals with disabilities. In addition the Technical Colleges received \$8 million in federal funds for a Job Training Partnership grant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$4.4 billion. Accumulated depreciation amounts of \$2.0 billion, leaving a net book value of \$2.4 billion. This investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the state and include only roads and bridges. GASB 34 requires assets, including infrastructure, to be capitalized and depreciated and reported on the Statement of Net Assets. Previously, capital assets ex-

cluding infrastructure, for the state's governmental funds were reported in the General Fixed Asset Account Group (GFAAG). The net book value of the state's infrastructure for its roads and bridges approximating \$1.5 billion was reported for the first time this year in accordance with the new GASB requirements. Other additions were for buildings and building improvements, which net of accumulated depreciation, increased \$30.0 million.

Additional information on the state's capital assets can be found in Footnote 4 of the Notes to the Financial Statements.

Debt Administration

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1.0 billion. Of this amount, \$682.4 million are general obligation bonds, which are backed by the full faith and credit of the state. The remainder of the state's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

During the current fiscal year, the state refinanced some of its existing debt to take advantage of favorable interest rates. In November 2001 the state issued \$100 million of GO bonds and used a portion of the proceeds to repay \$50 million of bond anticipation notes that were outstanding last year. The state's general obligation bonds maintain an "AA+" rating from both Standard & Poor's Corporation and Fitch IBCA and a "Aa2" rating by Moody's Investors Service.

The state does not have any debt limitations, except for contingent debt guarantees, which are detailed in the notes to the financial statements. Additional information on the state's long-term debt obligations can be found in Footnote 5 of the Notes to the Financial Statements.

ECONOMIC CONDITIONS

Along with the nation, the state's economy is struggling to recover. The New England economy is expected to remain stagnant with modest growth beginning in the first quarter of 2003. Although unemployment is expected to increase, NH is expected to remain below both the US average and New England. While many states have had devastating revenue losses because of shortfalls in income tax proceeds related to declines in capital gains, New Hampshire's reliance on the statewide property tax and business enterprise tax have added relative stability to its revenue structure.

In 2002, it became apparent that state revenues fell short of expectations and the fiscal 2002 general fund budget was reduced by 1% and a hiring freeze was imposed.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the state's finances for all of New Hampshire citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the state's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of New Hampshire, Department of Administrative Services, Division of Accounting Services, 25 Capitol Street, State House Annex Room 310, Concord, NH 03301.



Basic Financial Statements

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2002
(Expressed in Thousands)

Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 278,885	\$ 353,204	\$ 632,089	\$ 85,056
Cash and Cash Equivalents-Restricted.....		2,608	2,608	13,294
Receivables (Net of Allowances for Uncollectibles).....	427,732	15,916	443,648	47,053
Other Receivables-Restricted.....				8,125
Internal Balances.....	(1,423)	1,423		
Due from Component Units.....	1,044		1,044	
Inventories.....	11,716	23,450	35,166	
Other Current Assets.....	1,501	27	1,528	83,510
Total Current Assets.....	719,455	396,628	1,116,083	237,038
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles).....	168,715		168,715	31,059
Due from Component Units.....	48,796		48,796	
Investments.....	11,960		11,960	212,368
Investments-Restricted.....	45,717	74,818	120,535	
Bond Issue Costs.....		3,272	3,272	
Other Assets.....				3,207
Capital Assets:				
Land & Land Improvements.....	465,419	92,694	558,113	10,366
Buildings & Building Improvements.....	464,958	21,386	486,344	677,305
Equipment & Computer Software.....	120,608	24,189	144,797	110,825
Construction in Progress.....	195,839	67,369	263,208	85,174
Infrastructure.....	2,464,137	478,079	2,942,216	
Less: Allowance for Depreciation	(1,836,748)	(165,505)	(2,002,253)	(371,877)
Net Capital Assets.....	1,874,213	518,212	2,392,425	511,793
Total Noncurrent Assets.....	2,149,401	596,302	2,745,703	758,427
Total Assets.....	2,868,856	992,930	3,861,786	995,465
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	169,652	31,526	201,178	25,827
Accrued Payroll.....	22,100	1,147	23,247	12,704
Due to Primary Government.....				1,044
Deferred Revenue.....	71,117	2,775	73,892	27,894
Unclaimed Prizes.....	5,146	2,333	7,479	
General Obligation Bonds Payable.....	68,300	4,016	72,316	
Compensated Absences Payable & Uninsured Claims...	18,729	911	19,640	
Other Liabilities.....	197	7,350	7,547	20,807
Current Liabilities Payable from Restricted Assets:				
Revenue Bonds Payable.....		7,765	7,765	
Other Liabilities.....	4,678	4,324	9,002	247
Total Current Liabilities.....	359,919	62,147	422,066	88,523
Noncurrent Liabilities:				
Net General Obligation Bonds Payable	591,904	18,169	610,073	
Revenue Bonds Payable		313,396	313,396	193,889
Compensated Absences Payable & Uninsured Claims...	63,507	4,659	68,166	67,589
Due to Primary Government.....				48,796
Other Noncurrent Liabilities.....	12,981	1,583	14,564	58,871
Total Noncurrent Liabilities.....	668,392	337,807	1,006,199	369,145
Total Liabilities.....	1,028,311	399,954	1,428,265	457,668

The notes to the financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2002
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
NET ASSETS				
Invested in Capital Assets, net of related debt.....	\$ 1,214,131	\$ 137,890	\$ 1,352,021	\$ 327,087
Restricted for Debt Repayments.....		39,198	39,198	
Restricted for Unemployment Benefits.....		324,076	324,076	
Restricted for Permanent Funds.....	9,396		9,396	
Restricted for Capital Assets from Unspent Bond Proceeds.....	46,014	38,228	84,242	
Restricted for Environmental Loans.....	185,794		185,794	
Restricted for Revenue Stabilization.....	55,201		55,201	
Restricted Component Unit Net Assets.....				177,541
Unrestricted Net Assets.....	330,009	53,584	383,593	33,169
Total Net Assets.....	<u>\$ 1,840,545</u>	<u>\$ 592,976</u>	<u>\$ 2,433,521</u>	<u>\$ 537,797</u>

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government.....	\$ 185,269	\$ 66,629	\$ 43,513	
Administration of Justice & Public Protection.....	231,309	247,972	52,438	
Resource Protection and Development.....	115,670	56,114	39,919	
Transportation.....	419,048	7,058	2,253	\$ 200,429
Health and Social Services.....	1,358,774	81,071	741,061	
Education.....	1,292,751	32,413	124,403	
Interest Expense.....	30,609			
Total Governmental Activities.....	3,633,430	491,257	1,003,587	200,429
Business-type Activities:				
Turnpike System.....	55,677	66,515		
Liquor Commission.....	259,986	341,935		
Sweepstakes Commission.....	149,791	215,916		
Unemployment Compensation.....	120,623	102,604		
Total Business-type Activities.....	586,077	726,970		
Total Primary Government.....	\$ 4,219,507	\$ 1,218,227	\$ 1,003,587	\$ 200,429
COMPONENT UNITS				
University System of New Hampshire.....	\$ 499,283	\$ 262,251	\$ 112,959	\$ 11,520
Business Finance Authority.....	2,161	3,781		
Pease Development Authority.....	12,220	11,842		
Community Development Finance Authority.....	1,664	1,373	610	
Total Component Units.....	\$ 515,328	\$ 279,247	\$ 113,569	\$ 11,520

General Revenues:

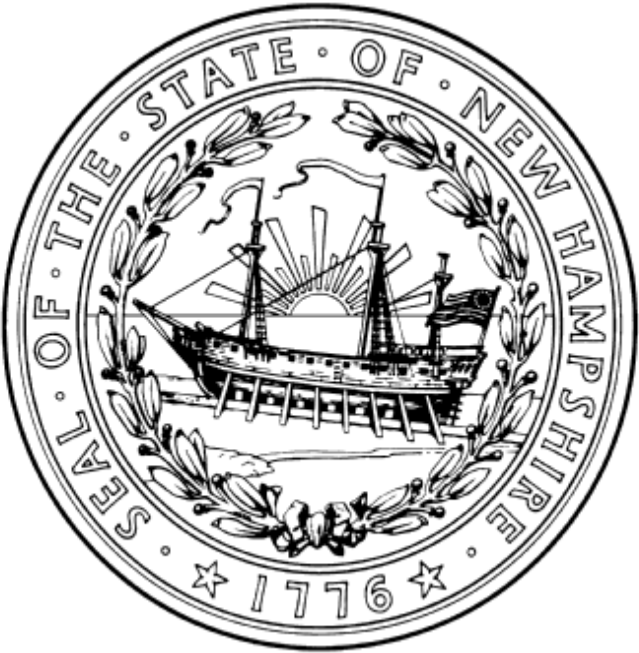
General Property Taxes.....
Special Taxes.....
Personal Taxes.....
Business License Taxes.....
Interest & Investment Income.....
Miscellaneous.....
Payments from State of New Hampshire.....
Loss on Transfer of Capital Assets to Component Unit.....
Transfers - Internal Activities.....
Total General Revenues and Transfers.....
Changes in Net Assets.....
Net Assets - Beginning - Restated.....
Net Assets - Ending.....

Net (Expense) Revenues and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (75,127)		\$ (75,127)	
69,101		69,101	
(19,637)		(19,637)	
(209,308)		(209,308)	
(536,642)		(536,642)	
(1,135,935)		(1,135,935)	
(30,609)		(30,609)	
(1,938,157)		(1,938,157)	
	\$ 10,838	10,838	
	81,949	81,949	
	66,125	66,125	
	(18,019)	(18,019)	
	140,893	140,893	
(1,938,157)	140,893	(1,797,264)	
			\$ (112,553)
			1,620
			(378)
			319
			(110,992)
502,604		502,604	
1,059,080		1,059,080	
84,222		84,222	
141,851		141,851	
1,289		1,289	16,494
51,030		51,030	16,198
			84,821
(7,725)		(7,725)	
148,727	(148,727)		
1,981,078	(148,727)	1,832,351	117,513
42,921	(7,834)	35,087	6,521
1,797,624	600,810	2,398,434	531,276
\$ 1,840,545	\$ 592,976	\$2,433,521	\$ 537,797

The notes to the financial statements are an integral part of this statement



Fund Financial Statements

Governmental Funds

General Fund: *The General Fund is the state's primary operating fund and accounts for all financial transactions not accounted for in any other fund.*

Highway Fund: *Under the state Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the state from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid received by the state for highway purposes, are credited to the Highway Fund. While the principal and interest on state highway bonds are charged to the Highway Fund, the assets of this fund are not pledged to such bonds.*

Education Trust Fund: *The Education Trust Fund was established to distribute adequate education grants to school districts. Funding for the grants comes from a variety of sources, including the statewide property and utility taxes, incremental portions of existing business and tobacco taxes, sweepstakes funds, and tobacco settlement funds.*

STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 128,252	\$ 95,484		\$ 55,149	\$ 278,885
Investments	48,842			8,835	57,677
Receivables (Net of Allowances for Uncollectibles)....	355,523	38,749	\$ 15,826	6,663	416,761
Due from Other Funds	1,934		647		2,581
Due from Components.....	49,840				49,840
Inventories.....	5,353	5,800		562	11,715
Other Assets.....	1,503				1,503
Loans and Notes Receivables	179,686				179,686
Total Assets	<u>\$ 770,933</u>	<u>\$ 140,033</u>	<u>\$ 16,473</u>	<u>\$ 71,209</u>	<u>\$ 998,648</u>
LIABILITIES					
Accounts Payable.....	\$ 137,838	\$ 23,099		\$ 8,715	\$ 169,652
Accrued Payroll.....	19,124	2,608		368	22,100
Due to Other Funds	2,070		\$ 1,934		4,004
Deferred Revenue	386,788	8,484	10,200	2,036	407,508
Unclaimed Property and Prizes.....	5,146				5,146
Other Liabilities.....	198				198
Total Liabilities.....	<u>551,164</u>	<u>34,191</u>	<u>12,134</u>	<u>11,119</u>	<u>608,608</u>
FUND BALANCES					
Reserved for Encumbrances.....	123,378	104,151		47,381	274,910
Reserved for Inventories.....	5,353	5,800		562	11,715
Reserved for Unexpended Appropriations.....	39,789		4,339	152,283	196,411
Reserved for Revenue Stabilization.....	55,201				55,201
Reserved for Health Care Fund.....	33,917				33,917
Reserved for Permanent Trust				9,396	9,396
Unreserved, Undesignated (Deficit)	(37,869)	(4,109)			(41,978)
Unreserved, Fish & Game Special Revenue Fund..				2,596	2,596
Unreserved (Deficit), Capital Project Fund.....				(152,128)	(152,128)
Total Fund Balances	<u>219,769</u>	<u>105,842</u>	<u>4,339</u>	<u>60,090</u>	<u>390,040</u>
Total Liabilities and Fund Balances.....	<u>\$ 770,933</u>	<u>\$ 140,033</u>	<u>\$ 16,473</u>	<u>\$ 71,209</u>	<u>\$ 998,648</u>

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2002
(Expressed in Thousands)

Total fund balances for governmental funds	\$	390,040
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Amounts reported for governmental activities in the Statement of
 Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,874,213
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Certain tax revenues and loans are earned but not available and
 therefore are deferred in the funds:

Business Taxes, I&D, Utility Property Tax	96,067
DOT Accrued Unbilled Revenue	4,690
SRF Loans	185,794
Component Unit Loans	49,840
Total	336,391

Certain long term liabilities are not payable by current available
 resources and therefore are not reported in the funds:

Compensated Absences and Workers Compensation	(82,236)
Capital Lease Obligations	(7,981)
Litigation	(5,000)
Bond Payables	(660,204)
Interest Payable	(4,678)
Total Long Term Liabilities	(760,099)

Net Assets of Governmental Activities	\$	1,840,545
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STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes.....	\$ 413		\$ 501,291		\$ 501,704
Special Taxes.....	845,175		173,538		1,018,713
Personal Taxes.....	60,254		23,968		84,222
Business License Taxes.....	17,629	\$ 141,801		\$ 50	159,480
Non-Business License Taxes.....	79,727	67,909		7,643	155,279
Fees.....	93,895	15,706		1,443	111,044
Fines, Penalties and Interest.....	19,697	729		172	20,598
Grants from Federal Government.....	912,321	154,857		37,292	1,104,470
Grants from Private and Local Sources.....	92,197	8,674		377	101,248
Rents and Leases.....	1,612				1,612
Interest, Premiums and Discounts.....	5,131	1,881		571	7,583
Sale of Commodities.....	10,834	174		346	11,354
Sale of Service.....	83,294	5,598			88,892
Assessments.....	17,365				17,365
Grants from Other Agencies.....	2,421	332		488	3,241
Miscellaneous.....	76,795	2,043	40,000	915	119,753
Total Revenues.....	2,318,760	399,704	738,797	49,297	3,506,558
EXPENDITURES					
Current:					
General Government.....	116,004		661		116,665
Administration of Justice and Public Protection.....	232,622	2,491			235,113
Resource Protection and Development.....	121,084			15,140	136,224
Transportation.....	8,821	212,751			221,572
Health and Social Services.....	1,351,583			1,077	1,352,660
Education.....	404,459		882,192		1,286,651
Debt Service.....	76,815	5,647		297	82,759
Capital Outlay.....	34,372	176,741		77,937	289,050
Total Expenditures.....	2,345,760	397,630	882,853	94,451	3,720,694
Excess (Deficiency) of Revenues					
Over (Under) Expenditures.....	(27,000)	2,074	(144,056)	(45,154)	(214,136)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	3,358		82,270	806	86,434
Transfers in from Enterprise Funds.....	82,602		66,125		148,727
Operating Transfers Out.....	(82,270)	(1,612)		(2,552)	(86,434)
Transfers Out to Component Units.....					
Repayment of BANS.....				(50,000)	(50,000)
Capital Lease Acquisition.....	2,600				2,600
Proceeds and Premiums from Issuance of Bonds.....	5,130			103,340	108,470
Total Other Financing Sources (Uses).....	11,420	(1,612)	148,395	51,594	209,797
Excess (Deficiency) of Revenues and Other Sources					
Over (Under) Expenditures and Other Uses.....	(15,580)	462	4,339	6,440	(4,339)
Fund Balances - July 1	235,141	103,613		53,691	392,445
Change in Reserve for Inventory.....	208	1,767		(41)	1,934
Fund Balances - June 30.....	\$ 219,769	\$ 105,842	\$ 4,339	\$ 60,090	\$ 390,040

The notes to the financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)**

Net change in fund balance - total governmental funds	\$ (2,405)
Additional revenue recognized on the Statement of Activities that do not provide current financial resources on the fund statements	10,856
Elimination of expenditures related to:	
Changes in Debt Repayment and Interest	52,150
Changes in Compensated Absences and Workers Compensation	(12,263)
Capitalization of Assets	29,306
SRF loan program	31,472
	<u>100,665</u>
Transfer of Port Assets to Pease Development Authority	(7,725)
Elimination of other financing sources recorded on the fund statements for bond proceeds and premiums	<u>(58,470)</u>
Change in net assets of governmental activities	<u>\$ 42,921</u>

The notes to the financial statements are an integral part of this statement



Proprietary-Enterprise Fund Financial Statements

Turnpike System: *The state constructs, maintains, and operates transportation toll facilities. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. These include a partial circumferential highway around the City of Nashua and other projects that will provide major improvements to the Central Turnpike from Bedford to Nashua and include new interchanges, widening, and a toll plaza. Additional projects are planned that will provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity.*

Liquor Commission: *Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the state must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses, and other merchandising facilities for liquor sales, to supervise the construction of state-owned liquor stores at various locations in the state, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers.*

Sweepstakes Commission: *The state sells lottery games through some 1,350 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. This net income is transferred to the Department of Education in the General Fund and then transferred to the local school districts.*

New Hampshire Unemployment Trust Fund: *receives contributions from employers and provides benefits to eligible unemployed workers.*

**STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY-ENTERPRISE FUNDS
JUNE 30, 2002
(Expressed in Thousands)**

ASSETS	Turnpike System	Liquor Commission	Sweepstakes Commission	Unemployment Compensation	Total
Current Assets:					
Cash and Cash Equivalents.....	\$ 23,437	\$ 4,666	\$ 1,534	\$ 323,567	\$ 353,204
Cash and Cash Equivalents-Restricted.....	2,608				2,608
Receivables (Net of Allowances for Uncollectibles).....	1,194	4,570	2,758	7,394	15,916
Due from Other Funds.....		2,070			2,070
Inventories.....	413	22,389	648		23,450
Other Current Assets.....			27		27
Total Current Assets.....	27,652	33,695	4,967	330,961	397,275
Noncurrent Assets:					
Investments-Restricted.....	74,818				74,818
Bond Issue Costs.....	3,272				3,272
Capital Assets:					
Land.....	89,957	2,055			92,012
Land Improvements.....		682			682
Buildings.....	4,206	12,246			16,452
Building Improvements.....		4,934			4,934
Equipment.....	14,807	8,862	520		24,189
Construction in Progress.....	67,369				67,369
Infrastructure.....	478,079				478,079
Less: Allowance for Depreciation and Amortization.....	(151,957)	(13,304)	(244)		(165,505)
Net Capital Assets.....	502,461	15,475	276		518,212
Total Noncurrent Assets.....	580,551	15,475	276		596,302
Total Assets.....	608,203	49,170	5,243	330,961	993,577
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 1,652	\$ 28,957	\$ 917		\$ 31,526
Accrued Payroll.....	409	653	85		1,147
Due to Other Funds.....			647		647
Deferred Revenue.....		1,895	880		2,775
Unclaimed Prizes.....			2,333		2,333
General Obligation Bonds Payable.....	4,016				4,016
Revenue Bonds Payable-Restricted.....	7,765				7,765
Accrued Interest Payable-Restricted.....	4,324				4,324
Compensated Absences Payable & Uninsured Claims.....	269	530	112		911
Other Liabilities.....	465			6,885	7,350
Total Current Liabilities.....	18,900	32,035	4,974	6,885	62,794
Noncurrent Liabilities:					
General Obligation Bonds Payable.....	18,169				18,169
Revenue Bonds Payable	313,396				313,396
Compensated Absences Payable & Uninsured Claims.....	2,730	1,660	269		4,659
Other Noncurrent Liabilities.....		1,583			1,583
Total Noncurrent Liabilities.....	334,295	3,243	269		337,807
Total Liabilities.....	353,195	35,278	5,243	6,885	400,601
NET ASSETS					
Invested in Capital Assets, net of related debt.....	123,722	13,892	276		137,890
Restricted for Debt Repayments.....	39,198				39,198
Restricted for Capital Assets from Unspent Bond Proceeds..	38,228				38,228
Restricted for Unemployment Benefits.....				324,076	324,076
Unrestricted Net Assets (Deficit).....	53,860		(276)		53,584
Total Net Assets.....	\$ 255,008	\$ 13,892	\$	\$ 324,076	\$ 592,976

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN PROPRIETARY-ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Unemployment Compensation	Total
<u>OPERATING REVENUES</u>					
Charges for Sales and Services.....		\$ 325,332	\$ 214,863	\$ 81,999	\$ 622,194
Toll Revenue Pledged for Repaying Revenue Bonds....	\$ 64,007				64,007
Total Operating Revenue.....	64,007	325,332	214,863	81,999	686,201
<u>OPERATING EXPENSES</u>					
Cost of Sales and Services.....		234,609			234,609
Lottery Prize Awards.....			142,537		142,537
Unemployment Insurance Benefits.....				120,623	120,623
Administration.....	29,219	23,860	7,032		60,111
Depreciation.....	10,631	1,517	222		12,370
Total Operating Expenses.....	39,850	259,986	149,791	120,623	570,250
Operating Income (Loss).....	24,157	65,346	65,072	(38,624)	115,951
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Licenses.....		3,642			3,642
Beer Taxes.....		11,882			11,882
Investment Income.....	2,223		1,054	20,605	23,882
Miscellaneous.....	285	1,079	(1)		1,363
Interest on Bonds.....	(15,560)				(15,560)
Amortization of Bond Issuance Costs.....	(267)				(267)
Total Nonoperating Revenues (Expenses).....	(13,319)	16,603	1,053	20,605	24,942
Income (Loss) Before Operating Transfers.....	10,838	81,949	66,125	(18,019)	140,893
Transfers Out to Governmental Fund.....		(82,602)	(66,125)		(148,727)
Change in Net Assets.....	10,838	(653)		(18,019)	(7,834)
Net Assets - July 1.....	244,170	14,545		342,095	600,810
Net Assets - June 30.....	\$ 255,008	\$ 13,892	\$	\$ 324,076	\$ 592,976

The notes to the financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY-ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)**

	Turnpike System	Liquor Commission	Sweepstakes Commission	Unemployment Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies.....				\$ 47,145	\$ 47,145
Receipts from customers.....	\$ 63,991	\$ 324,518	\$ 201,530	39,196	629,235
Payments to employees.....	(11,687)	(17,403)	(1,796)		(30,886)
Payments to suppliers.....	(16,661)	(235,058)	(11,020)		(262,739)
Payments to prize winners.....			(124,591)		(124,591)
Claims paid.....				(123,011)	(123,011)
Net cash provided (used) by operating activities.....	35,643	72,057	64,123	(36,670)	135,153
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to Other Funds.....		(88,685)	(66,671)		(155,356)
Proceeds from Collection of Licenses and Beer Tax.....		15,524			15,524
Net Cash Used for Noncapital and Related Financing Activities.....		(73,161)	(66,671)		(139,832)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition, Disposal and Construction of Capital Assets.....	(8,024)	(653)	(79)		(8,756)
Grant Contributions.....	29				29
Interest Paid on Revenue and General Obligation Bonds.....	(18,662)				(18,662)
Principal Paid on Bonds.....	(13,451)				(13,451)
Payments on Bond Issuance/Refunding.....	(5,151)				(5,151)
Contributions from Other Funds.....		653			653
Net Cash Used for Capital and Related Financing Activities.....	(45,259)		(79)		(45,338)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Investments.....	(9,271)				(9,271)
Proceeds from Maturities of Investments.....	21,010				21,010
Interest and Other Income.....	2,678	1,742	1,036	20,605	26,061
Net Cash Provided by Investing Activities.....	14,417	1,742	1,036	20,605	37,800
Net Increase (Decrease) in Cash and Cash Equivalents.....	4,801	638	(1,591)	(16,065)	(12,217)
Cash and Cash Equivalents - July 1.....	21,244	4,028	3,125	339,632	368,029
Cash and Cash Equivalents -June 30.....	\$ 26,045	\$ 4,666	\$ 1,534	\$ 323,567	\$ 355,812
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss).....	\$ 24,157	\$ 65,346	\$ 65,072	\$ (38,624)	\$ 115,951
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation.....	10,631	1,517	222		12,370
Amortization and Other Non-Cash Expenses.....			1		1
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables.....	(16)	(460)	50	(337)	(763)
(Increase) Decrease in Inventories.....	(26)	(2,303)	133		(2,196)
Decrease in Other Current Assets.....			1		1
Increase (Decrease) in Accounts Payable and other Accruals....	897	8,311	(1,387)	2,291	10,112
Increase (Decrease) in Deferred Revenue.....		(354)	31		(323)
Net Cash Provided (Used) by Operating Activities.....	\$ 35,643	\$ 72,057	\$ 64,123	\$ (36,670)	\$ 135,153

The notes to the financial statements are an integral part of this statement

Fiduciary Funds Financial Statements

Pension Trust Funds: New Hampshire Retirement System:

The New Hampshire Retirement System (NHRS) is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established on July 1, 1967, and is intended for all time to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the state government of New Hampshire, certain cities and towns, all counties, and various school districts. The NHRS is a component unit of the state.

Private-Purpose Trust Funds: *report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.*

Investment Trust Fund: *The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund. NHPDIP financial statements can be obtained by contacting NHPDIP at 497 Belknap Mountain Rd, Gilford NH 03249.*

Agency Funds: *Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. Payroll taxes collected on behalf of the federal government and employee voluntary deductions for deposit to the State's deferred compensation plan are two of the larger agency funds of the state.*

STATE OF NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2002
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents.....	\$ 2,833	\$ 4,194		\$ 11,764
Cash Collateral on Security Lending.....	342,871			
Total Cash.....	345,704	4,194		11,764
Receivables:				
Due from Employers.....	4,620			
Due from State.....	4,207			
Due from Plan Members.....	7,636			
Due from Brokers for Securities Sold.....	159,873			
Interest and Dividends.....	15,744			
Other	1,809	112	\$ 756	
Total Receivables.....	193,889	112	756	
Investments.....	3,910,661	2,859	296,983	169,803
Other Assets.....	1,089			
Total Assets.....	4,451,343	7,165	297,739	181,567
LIABILITIES				
Securities Lending Collateral.....	342,871			
Management Fees and Other Payables.....	6,370		138	
Due to Brokers for Securities Purchased.....	165,627			
Custodial Funds Payable.....				181,535
Other Liabilities.....		43		32
Total Liabilities.....	514,868	43	138	181,567
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 3,936,475	\$ 7,122	\$ 297,601	

RECONCILIATION OF NET ASSETS HELD IN TRUST:

Employees' Pension Benefits.....	\$ 3,498,997			
Employees' Postemployment Healthcare Benefits.....	437,478			
Net Assets for Pool Participants in External Investment Pool.....			\$ 297,601	
Other Purposes.....		\$ 7,122		
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 3,936,475	\$ 7,122	\$ 297,601	

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

ADDITIONS	Pension Trust Fund	Private-purpose Trust Funds	Investment Trust Funds
Contributions:			
Employer	\$ 67,039		
State Contributions on Behalf of Local Employers.....	16,477		
Total Employer Contributions.....	83,516		
Plan Member.....	103,211		
Post Retirement Medical Plan Contributions on Behalf of Employers.....	25,958		
From Participants.....		\$ 11,774	\$ 312,300
From Gifts, Bequests, and Endowments.....		1,091	
Total Contributions.....	212,685	12,865	312,300
Investment Income:			
From Investing Activities:			
Net (Depreciation) in Fair Value of Investments.....	(443,548)		
Interest.....	72,147	119	
Dividends.....	32,301		
Timberfund Income	(172)		
Alternative Investment Income.....	1,223		
Commercial Real Estate Operating Income.....	40,845		
Net Increase in Joint Value from Investment Income.....			8,838
Total Income (Loss) from Investing Activities.....	(297,204)	119	8,838
Less: Investment Activity Expenses:			
Investment Management Fees.....	26,187		
Custodial Fees.....	399		
Investment Advisor Fees.....	413		
Total Investment Activity Expenses.....	26,999		
Total Net Income (Loss) from Investing Activities.....	(324,203)	119	8,838
From Securities Lending Activities:			
Security Lending Income.....	10,883		
Less: Security Lending Borrower Rebates.....	8,916		
Less: Security Lending Management Fees.....	590		
Net Income from Securities Lending Activities.....	1,377		
Total Net Investment Income (Loss).....	(322,826)	119	8,838
Administrative Assessment.....	345		
Other.....	1,776	428	
Total Additions.....	(108,020)	13,412	321,138
DEDUCTIONS			
Benefits/Distributions to Participants.....	248,421	8,622	8,838
Refunds of Contributions.....	15,278		
Administrative Expense.....	4,774		
Post Retirement Medical Plan Contributions to Pension Plan on Behalf of Employers.....	25,958		
Consulting Fees.....	436		
Other.....	908	3,142	373,856
Total Deductions.....	295,775	11,764	382,694
Net Increase/(Decrease).....	(403,795)	1,648	(61,556)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Beginning of the Year.....	4,340,270	5,474	359,157
End of the Year.....	\$ 3,936,475	\$ 7,122	\$ 297,601

Notes to the Basic Financial Statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of New Hampshire (the state) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

For financial reporting purposes, the state's reporting entity includes all funds, organizations, agencies, boards, commissions, authorities and the state has considered all potential component units for which the state is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the state, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the state, are deemed to be related organizations. The nature and relationship of the state's component units and related organizations are disclosed in the following section.

Discrete Component Units:

Discrete component units are entities, which are legally separate from the state, but for which the state is financially accountable for financial reporting purposes, or whose relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. Complete audited financial statements of the individual component units can be obtained from the respective entities.

The component unit columns of the government-wide financial statements include the financial data of the following entities:

Major Component Unit

University System of New Hampshire - The University System of New Hampshire (University System) is a body corporate and politic with a governing board of twenty-five members. A voting majority is held by the state through the eleven members appointed by the Governor and

Executive Council and three state officials serving as required by law. These state officials are the Governor, the Commissioner of the Department of Education, and the Commissioner of the Department of Agriculture. The remaining board members represent the university and colleges of the system, the alumni, and the student body. The University System funds its operations through tuition and fees, government grants and contracts, auxiliary operations, and state appropriations. USNH financials can be obtained by contacting, USNH at 18 Garrison Avenue, Durham NH 03824.

Non-major Component Units

Business Finance Authority of the State of New Hampshire - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the Treasurer. The state currently guarantees outstanding loans and principal on bonds of the BFA of June 30, 2002, which creates the potential for the BFA to impose a financial burden on the state. BFA's financials can be obtained by contacting, BFA at 14 Dixon Avenue, Suite 101, Concord NH 03301.

The Community Development Finance Authority - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. An investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the state. In accordance with RSA 162-L:10, the total credits allowed shall not exceed \$5.0 million in any state fiscal year. CDFA's financials can be obtained by contacting CDFA at, CDFA 14 Dixon Avenue, Suite 101, Concord NH 03301.

Pease Development Authority - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the state and three members, are appointed by the city of Portsmouth and the town of Newington. The state has made several loans to the PDA. PDA's financials can be obtained by contacting PDA at, 360 Corporate Drive, Portsmouth NH 03801.

Pursuant to Chapter 290 Laws of 2001, the New Hampshire State Port Authority, a former department of the primary state government, was transferred to the PDA effective July 1, 2001.

Fiduciary Component Unit:

The state's fiduciary component unit consists of the Pension Trust Fund, which represents the assets and liabilities of the following:

New Hampshire Retirement System - The New Hampshire

Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection to its members, which include full-time employees of the state and substantially all school teachers, firefighters, and police officers within the state. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a 13 member board of Trustees on which the state does not represent a voting majority. The Board is fiduciarily responsible for the trust fund's assets and directs the investment of the pension assets, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the state because the employee member contribution rates are set through state statute, and the state has budget approval authority over the administrative costs of the System.

This component unit is presented in the fiduciary funds, along with other fiduciary funds of the state, and they have been omitted from the state's government-wide financial statements.

Related Organizations:

The state is responsible for appointing voting members to the governing boards of the following legally separate organizations, but the state's financial accountability for these organizations does not extend beyond making the appointments. Therefore, the financial data of these entities are excluded from the state's financial statements.

Those organizations are:

- Maine - New Hampshire Interstate Bridge Authority
- New Hampshire Health and Education Facilities Authority
- New Hampshire Housing Finance Authority
- New Hampshire Municipal Bond Bank

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are normally supported through taxes and intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally

imposed designations of resources are not presented as restricted net assets.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. Certain indirect costs are included in program expenses reported for individual functions.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Beginning July 1, 2001, the activities of the special fund were combined with the general fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus and Basis of Accounting

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state generally considers non-grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues that the state earns by incurring obligations are recognized in the same period as when the obligations are recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences and claims and judgments are recorded only when payment is due.

Proprietary Fund, Fiduciary Funds and Similar Component Units, and Component Unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

In reporting proprietary activities, including component units, the state only applies applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, for its business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Financial Statement Presentation

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The state reports the following major governmental funds:

General Fund: The General Fund is the state's primary operating fund and accounts for all financial transactions not accounted for in any other fund.

Highway Fund: The Highway Fund is used to account for the revenues and expenditures used in the construction and maintenance of the state's public highways and the supervision of traffic thereon.

Education Fund: In fiscal year 2000, the Education Trust Fund was created in accordance with Chapter 17:41, Laws of 1999. The fund is non-lapsing and is used to distribute adequate education grants to school districts.

The state reports the following major proprietary funds:

The *Liquor Commission* accounts for the operations of state-owned liquor stores and the sales of all beer and liquor sold in the state.

The *Sweepstake Commission* accounts for the operations of the state's lottery games.

The *Turnpike System* accounts for the revenues and expenditures used in the construction, maintenance and operations of transportation toll facilities.

The *New Hampshire Unemployment Trust Fund* receives contributions from employers and provides benefits to eligible unemployed workers.

Additionally, the state reports the following fund types:

Governmental Fund Types

Capital Projects Fund - used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of state bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

Permanent Funds - report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the state or its citizenry.

Fiduciary Fund Types

Pension (and Other Employee Benefits) Trust Fund - report resources that are required to be held in trust for the members and beneficiaries of the state's defined contribution plan, and post employment benefit plan. The New Hampshire Retirement System is a component unit of the State.

Investment Trust Fund - accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

Private Purpose Trust Funds - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

Agency Funds - report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2002, and for the year then ended, except for the following entities: The Community Development Finance Authority (December 31, 2001).

D. CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash equivalents represent short-term investments with original maturities less than three months from the date acquired by the state.

E. INVESTMENTS

Investments are reported at fair value except for investments of the investment trust fund, which are reported at net amortized cost because it qualifies as a 2a7-like pool.

F. RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the state at June 30, recorded as revenue, which will be collected sometime in the future and consist primarily of accrued taxes and federal grants receivable. In the governmental fund financial statements, taxes receivable are primarily taxpayer-assessed revenues representing amounts owed by the taxpayers, which are received by the state within 60 days after year-end, except for federal grants, which reimburse the state for expenditures incurred pursuant to federally funded programs. Tax revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. The Sweepstakes game tickets are stated at the lower of cost (first-in, first-out method) or market. All other inventories in the governmental and proprietary funds are stated at average cost.

Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a fund balance reserve that indicates they do not constitute "available expendable resources" even though they are part of net current assets.

H. RESTRICTED ASSETS

Chapter 122 of the Laws of 1994 established the Health Care Fund (HCF). The restricted investments in the General Fund are the assets restricted for the HCF purpose (see Note M: Fund Equity).

The proceeds of Turnpike System revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets.

I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Equipment is capitalized when the cost of individual items exceed \$10,000, and all other capital assets are capitalized when the cost of individual items or projects exceed \$100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government and the component units are depreciated using the straight-line method over the following useful lives:

Equipment	5 years
Buildings	40 years
Building improvements	20 years
Infrastructure	50 years
Computer software	5 years

J. DEFERRED REVENUE

In the government-wide financial statements and the proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted as an offset to long-term loans receivable and federal funds received in advance of eligible expenditures.

K. COMPENSATED ABSENCES

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year.

The state's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the leave

liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 30 to 48 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness. The liability for compensated absences is recorded in the government-wide and proprietary fund financial statements.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are "due and payable" and recorded in the fund only for employee resignations and retirements that occur before year-end and were paid out after year-end.

L. ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

M. FUND BALANCES

Fund balances for all governmental funds are either reserved or unreserved. Reserved fund balances reflect either 1) assets, which, by their nature, are not available for appropriations (Reserve for Inventories); 2) funds legally segregated for a specific future use (Reserve for Encumbrances); 3) segregated by legal restrictions (Reserve for Permanent Funds). Certain reserve accounts are further described below:

Reserved for Unexpended Appropriations: This account represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved for Revenue Stabilization: RSA 9:13-e established the Revenue Stabilization account for the purpose of deficit reduction. As amended by Chapter 158:41, Laws of 2001, at the close of each fiscal biennium, any General Fund undesignated fund balance, remaining after Education Trust Fund transfer, is distributed to the Revenue Stabilization account. The maximum balance that may accumulate in the account is limited to 10% of the General Fund unrestricted revenue. The account may not be used for any other purpose without specific approval by two-thirds of each house of the Legislature and the Governor.

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserved for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall. The Balance in the Revenue Stabilization Account at June 30, 2002 is \$55.2 million.

Reserved for Health Care Fund: RSA 167:70 established the Health Care Fund for the purpose of providing financial resources for future changes in the state's health care system in order to increase access to quality health care for the citizens of New Hampshire. In 1994, a portion of net Medicaid enhancement revenues, received as a result of an amendment

to the state's Medicaid plan relative to the New Hampshire Hospital disproportionate share revenues, was set aside to establish the initial fund balance. The maximum balance that may accumulate in the Health Care Fund is \$100 million. At the end of any fiscal biennium, all principal assets in the fund in excess of \$100 million will be transferred to the Reserved for Revenue Stabilization account.

Further legislation provided for the transfers from the Health Care Fund that resulted from shortfalls in specific Health and Human Services revenue enhancements. The transfers were limited to the smaller of the General Fund undesignated fund balance deficit or the calculated revenue shortfall. In the event that net Medicaid enhancement revenues exceed amounts budgeted, the excess shall be transferred back to the Health Care Fund. The amount transferred to the Health Care Fund shall not exceed the cumulative amount transferred from the Fund.

Chapter 208 Laws of 2002, provided for supplemental appropriations for Department of Health and Human Services programs in the amount of \$11.8 million in fiscal year 2002 and \$3.0 million in fiscal year 2003. Certain federal funding was identified as a potential source of funding for this appropriation. The law also stipulated that if the claim for the federal funds were disputed, then on December 1, 2002 the Health Care Fund would be charged for this appropriation. Since the Federal Government as of the date of this report is challenging these funds, \$11.8 million of Health Care Funds have been transferred to General Fund - Unreserved Fund Balance.

N. CAPITAL OUTLAYS

Capital outlays represent equipment purchases for all funds. In addition to equipment purchases, the Highway Fund's capital outlays represent expenditures for the 10-year state capital highway construction program.

O. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

In the government-wide and proprietary fund financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums, and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

P. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, education, etc.). Additionally, revenues are classified between

program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by state law or by outside restriction (e.g. federal grants), available only for specified purposes. Unused restricted revenues at year end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the state's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Debt Service" or "Capital Outlay." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for real property or infrastructure (e.g. highways).

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. administration and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Other Financing Sources (Uses) - these additions to and reductions from governmental resources in fund financial statements normally result from transfers from/to other funds and include financing provided by bond proceeds. Legally required transfers are reported when incurred as "Operating Transfers In" by the receiving fund and as "Operating Transfers Out" by the disbursing fund.

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance and telecommunications. These transactions, when material, have been eliminated in the government-wide and governmental fund financial statements.

Q. INTERFUND ACTIVITY AND BALANCES

Interfund Activity - As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities (e.g. transfers of profits from the Liquor Commission to General Fund and the Sweepstakes Commission to the Education Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of

assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources.

Interfund Balances – Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

R. CAPITAL PROJECTS

The state records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded when incurred and encumbrances are liquidated at that time.

Resources obtained to finance capital projects include federal grants and general obligation bonds. General obligation bonds are recorded as liabilities and as other financing sources in the funds that receive the proceeds.

S. BUDGET CONTROL AND REPORTING

The Statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor, propose or the Legislature adopt a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary funds, with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the budget and actual comparisons statement. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. During the 2002 Legislative session, an additional \$11.8 million was appropriated to supplement the budget for the Payment of Health and Human Services programs. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Both, the Executive, and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as reservation of fund balance. The balance of unexpended encumbrances are brought forward into the next fiscal year. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

Budget to Actual Comparisons and additional budgetary information are included as Required Supplementary Information.

T. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

U. CHANGES IN REPORTING STANDARDS

In fiscal year 2002, the state implemented Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35 *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement No. 37 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38 *Certain Financial Statement Note Disclosures*; and Interpretation No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. These reporting standards resulted in new financial statements as well as changes to certain existing financial statement formats. In addition, fund equity reporting will be affected, and certain financial statement footnotes have been added or expanded. The impact of implementing the new standards on beginning fund balances is as follows:

Restatement of Fund Balance / Net Assets	
Fund Balances as of 6-30-01	
General Fund	158,693
Special Revenue Funds	189,824
Capital Fund	34,105
Total	382,622
Adjustments Due to Changes in Accounting Principle:	
Reclassification of Funds: Permanent Fund	9,823
Long Term Debt / Expense Recognition	(734,444)
Accrued Interest	(6,377)
Capitalization of Fixed Assets	1,851,937
A/R / Revenue Recognition	294,063
Net Assets as of 6-30-01	1,797,624

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

The state pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the combined balance sheet under the captions "Cash and Cash Equivalents" and "Investments".

Deposits: The following statutory requirements and Treasury Department policies have been adopted to minimize risk associated with deposits.

RSA 6:7 establishes the policy the state Treasurer must adhere to when depositing public monies. The statute restricts deposits to national banks, trust companies, and savings banks within the United States that have a branch in the state of New Hampshire. In addition, all depositories used by the state must be approved at least annually by the Governor and Executive Council.

RSA Chapter 6-B:2 requires the state Treasurer to submit quarterly financial reports to the Governor and Executive Council, the Commissioner of Administrative Services, and the Legislative Fiscal Committee.

The Treasury Department examines the financial condition of its depositories quarterly. The state Treasurer is not required to collateralize bank deposits. Nevertheless, during fiscal year 2002, the Treasury Department collateralized deposits at one of its major depositories.

Investments: The following statutory requirements and Treasury Department policies have been adopted to ensure reasonable rates of return on investments while minimizing risk factors.

RSA Chapter 6:8 sets the policies the state Treasurer must adhere to when investing state funds. Subject to Governor and Council approval, the Treasurer must invest in certain types of investments. Those investments include obligations of the United States government or local governments within New Hampshire, savings accounts and legal investments for savings banks and trust companies, participation units in the public deposit investment pool, and certificates of deposit of state or federally chartered banks within New Hampshire or national banks in Massachusetts.

The financial condition of each bank in which or through which investments are made is evaluated by the Treasury Department on a quarterly basis. Banks through which repurchase agreements are written maintain their collateral in an investment book entry account with the Federal Reserve. That collateral is not separate from the banks' assets. However, securities used for collateral are segregated from the banks' investment accounts and are kept free of liens, charges, or claims of third parties. Repurchase agreements represent 23.7% of the State's investment portfolio at June 30, 2002. The state Treasurer is prohibited by statute from entering into reverse repurchase agreements.

Some United States Government Obligations are classified as cash and cash equivalents on the balance sheet because their original maturities are less than three months. For purposes of the notes to the financial statements, United States Government Obligations are categorized as investments in accordance with GAAP.

New Hampshire Public Deposit Investment Pool (NHPDIP): The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund. NHPDIP financial statements can be obtained by contacting NHPDIP at 497 Belknap Mountain Rd, Gilford NH 03249.

The balances of the state's deposit accounts at June 30, 2002, listed by custody risk category, are shown in the following schedule. The total bank balance represents the total amounts on deposit as reported by the banks. The carrying amount represents the balances on the state's records. The principal difference in demand deposits is outstanding checks which have not cleared the bank as of June 30, 2002 (expressed in thousands):

Description:	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Pooled Deposits:					
Demand Deposits (Interest Bearing).....	\$ 1,216	\$ 3,770	\$ 91,198	\$ 96,184	\$ 25,871
Money Market Accounts.....			60,057	60,057	60,057
Savings Accounts.....	230		3,583	3,813	3,813
Certificates of Deposit.....			20,728	20,728	20,728
Sub Total.....	\$ 1,446	\$ 3,770	\$ 175,566	\$ 180,782	\$ 110,469
Restricted Deposits:					
Demand Deposits.....			12,388	12,388	12,388
Money Market Accounts.....					
Certificates of Deposit.....			16,000	16,000	16,000
Sub Total.....			28,388	28,388	28,388
Total Deposits.....	\$ 1,446	\$ 3,770	\$ 203,954	\$ 209,170	\$ 138,857

Category 1 Fully insured or collateralized with securities held by the state or its agent in the state's name.
Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the state's name.
Category 3 Uncollateralized.

In accordance with GAAP, investments are classified as to custody risk by the three categories described below (expressed in thousands):

Description:	Categories			Fair Value
	1	2	3	
Pooled Investments:				
Commerical Paper.....			\$ 16,017	\$ 16,017
Stocks and Bonds.....			9,569	9,569
Repurchase Agreements.....			217,008	217,008
United States Government Obligations.....			76,243	76,243
Sub Total.....			\$ 318,837	\$ 318,837
Restricted Investments:				
Commercial Paper.....			3,435	3,435
Repurchase Agreements.....			45,380	45,380
United States Government Obligations.....	31,587		15,001	46,588
Sub Total.....	\$ 31,587		\$ 63,816	\$ 95,403
Uncategorized:				
United States Government Obligations: (Funds on deposit in the Federal Unemployment Trust Fund).....				323,568
Open-ended Mutual Funds.....				366,610
Bond Anticipation Notes.....				1,200
Sub total.....				691,378
Total Investments.....				\$ 1,105,618

Category 1 Insured or registered in the State's name, or securities held by the state or its agent in the state's name.
Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name.
Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the state's name.

Reconciliation Between Financial Statements and Footnote						
		Unrestricted		Restricted		Total
		Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	
Per Statement of Net Assets	Primary Government	\$ 632,089	\$ 11,960	\$ 2,608	\$ 120,535	\$ 767,192
Per Statement of Fiduciary Net Assets	Private Purpose	4,194	2,859			7,053
	Investment Trust		296,983			296,983
	Agency Funds	11,764	169,803			181,567
Total per Financial Statements		\$ 648,047	\$ 481,605	\$ 2,608	\$ 120,535	\$ 1,252,795
Per Footnote						
				Cash On Hand	\$	8,320
				Carrying Amount of Deposits		138,857
				Investments at Fair Value		808,635
				Investments at Amortized Cost		296,983
				Total Per Footnote	\$	1,252,795

MAJOR COMPONENT UNIT (University System of New Hampshire)

Levels of Risk of Cash and Cash Equivalents (expressed in thousands):

	Categories			Total Bank	Carrying Amount
	1	2	3		
Deposits:					
Cash & Repurchase Agreements.....			\$ 71,120	\$ 71,120	\$ 71,120
Money Market Fund.....			1,873	1,873	1,873
Commercial Paper.....			3,982	3,982	3,982
Total Deposits.....			\$ 76,975	\$ 76,975	\$ 76,975

Category 1 Fully insured or collateralized with securities held by the state or its agent in the state's name.
Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the state's name.
Category 3 Uncollateralized.

Level of Risk for Investments (Expressed in Thousands):

	Categories			Fair Value
	1	2	3	
Investments:				
Stocks and Bonds.....	\$ 123,347		\$ 11,970	\$ 135,317
Subtotal.....	123,347		11,970	135,317
Uncategorized:				
Money Market Funds.....				13,185
Mutual Funds.....				111,928
Equities.....				5,215
U.S. Government Obligations.....				925
Investments Held by Others.....				17,939
Subtotal.....				149,192
Total Investments.....	\$ 123,347		\$ 11,970	\$ 284,509

Category 1 Insured or registered in the state's name, or securities held by the state or its agent in the state's name.
Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name.
Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the state's name.

3. RECEIVABLES

The following is a breakdown of receivables at June 30, 2002 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms.....	\$ 16,513		\$ 16,513	
Business Taxes.....	103,282		103,282	
Tobacco.....	5,166		5,166	
Estate and Legacy.....	19,200		19,200	
Real Estate Transfer.....	10,490		10,490	
Interest & Dividends.....	8,667		8,667	
Communications.....	7,199		7,199	
Utility Property Tax.....	10,200		10,200	
Gasoline Road Toll.....	12,102		12,102	
Beer.....		\$ 1,131	1,131	
Subtotal.....	192,819	1,131	193,950	
Other Receivables:				
Turnpike System.....		1,194	1,194	
Liquor Commission.....		3,439	3,439	
Sweepstakes Commission.....		2,758	2,758	
Unemployment Trust Fund.....		7,394	7,394	
Board and Care.....	723		723	
Federal Grants.....	160,595		160,595	\$ 22,366
Local Grants.....	51,999		51,999	
Miscellaneous.....	15,882		15,882	13,417
State Revolving Loan Fund.....	13,006		13,006	
Short Term Portion Of Note Receivable.....				2,589
Subtotal.....	242,205	14,785	256,990	38,372
Total Current Receivables (Gross).....	435,024	15,916	450,940	38,372
Long Term Receivables				
State Revolving Loan Fund.....	172,788		172,788	
Loan/Note Receivable.....				20,332
Miscellaneous.....	2,035		2,035	2,152
Total Long Term Receivables (Gross).....	174,823		174,823	22,484
Allowance for Doubtful Accounts				
	(13,400)		(13,400)	(3,478)
Total Receivables (Net).....	\$ 596,447	\$ 15,916	\$ 612,363	\$ 57,378

State Revolving Loan Fund:

Primary Government: As of June 30, 2002, total water pollution control loans outstanding amounted to \$185.8 million were recorded in the state's general fund. This amount was offset by a corresponding amount of deferred revenue. The state Water Pollution Control Revolving Loan Fund ("State Revolving Fund"), established by RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The State Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. Principal and interest payments on the loans will occur over a period not to exceed 20 years and will be credited directly to the State Revolving Fund, enabling the fund balance to be available in perpetuity.

Major Component Unit: The component unit balance is University System of New Hampshire Perkins Loans and other college and university loans of \$57.4 million.

Deferred Revenue:

Primary Government: Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2002, the various components of deferred revenue (\$407.5 million) reported in the governmental funds were as follows:

	Unavailable	Unearned
Taxes receivable.....	\$ 96,067	
Accrued Unbilled revenue.....	4,690	
Loans receivable.....	235,634	
Federal/Local receivables.....		\$ 19,112
Receipts in advance of eligibility requirements.....		52,005
Total.....	\$ 336,391	\$ 71,117

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2002, was as follows (expressed in thousands):

Primary Government				
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 370,630	\$ 5,547	\$ (932)	\$ 375,245
Construction in Progress.....	173,395	55,576	(33,132)	195,839
Total Capital Assets not being depreciated.....	544,025	61,123	(34,064)	571,084
Other Capital Assets:				
Equipment & Computer Software.....	110,079	20,335	(9,806)	120,608
Buildings & Building Improvements.....	425,142	55,511	(15,695)	464,958
Land Improvements.....	90,116	59	(1)	90,174
Infrastructure.....	2,463,572	565		2,464,137
Total Other Assets	3,088,909	76,470	(25,502)	3,139,877
Less accumulated depreciation for:				
Equipment & Computer Software.....	(78,732)	(16,755)	9,252	(86,235)
Buildings & Building Improvements.....	(198,064)	(12,121)	901	(209,284)
Land Improvements.....	(64,680)	(2,139)		(66,819)
Infrastructure.....	(1,439,521)	(34,889)		(1,474,410)
Total Accumulated Depreciation.....	(1,780,997)	(65,904)	10,153	(1,836,748)
Other Capital Assets, Net.....	1,307,912	10,566	(15,349)	1,303,129
Governmental Activities Capital Assets, Net.....	\$ 1,851,937	\$ 71,689	\$ (49,413)	\$ 1,874,213
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 89,086	\$ 1,091	\$ (220)	\$ 89,957
Construction in Progress.....	60,746	8,960	(2,337)	67,369
Capital Assets not being depreciated	149,832	10,051	(2,557)	157,326
Other Capital Assets:				
Equipment.....	14,294	954	(441)	14,807
Buildings & Building Improvements.....	3,640	597	(31)	4,206
Infrastructure.....	477,311	2,337	(1,569)	478,079
Total Capital Assets	645,077	13,939	(4,598)	654,418
Less accumulated depreciation for:				
Equipment.....	(12,409)	(1,113)	414	(13,108)
Buildings & Building Improvements.....	(2,348)	(61)	28	(2,381)
Infrastructure.....	(126,891)	(9,594)	17	(136,468)
Total Accumulated Depreciation.....	(141,648)	(10,768)	459	(151,957)
Turnpike Capital Assets, Net.....	\$ 503,429	\$ 3,171	\$ (4,139)	\$ 502,461
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,055			\$ 2,055
Other Capital Assets:				
Equipment.....	7,946	\$ 1,011	\$ (95)	8,862
Buildings & Building Improvements.....	15,784	1,396		17,180
Land Improvements.....	627	55		682
Total Capital Assets	26,412	2,462	(95)	28,779
Less accumulated depreciation for:				
Equipment.....	(4,736)	(949)	78	(5,607)
Buildings & Building Improvements.....	(6,558)	(544)		(7,102)
Land Improvements.....	(571)	(24)		(595)
Total Accumulated Depreciation.....	(11,865)	(1,517)	78	(13,304)
Liquor Capital Assets, Net.....	\$ 14,547	\$ 945	\$ (17)	\$ 15,475
Sweepstakes Commission:				
Equipment.....	\$ 974	\$ 69	\$ (523)	\$ 520
Less accumulated depreciation for equipment.....	(573)	(222)	551	(244)
Sweepstakes Capital Assets, Net.....	\$ 401	\$ (153)	\$ 28	\$ 276

Current period depreciation expense was charged to functions of the primary government as follows (expressed in thousands):

Governmental Activities:	
General Government	\$ 3,354
Administration of Justice and Public Protection	10,511
Resource Protection and Development	4,944
Transportation	39,808
Health and Social Services	4,865
Education	2,422
Total Governmental Activities Depreciation Expense	<u>\$ 65,904</u>

In accordance with GAAP, interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In fiscal year 2002, net interest cost capitalized in the Turnpike System Enterprise Fund amounted to \$ 1.5 million.

The state possesses certain capital assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures such as statues, monuments, paintings and miscellaneous capitol-related artifacts and furnishings.

Major Component Unit: The following is a rollforward of Capital Assets for the University of New Hampshire, (Expressed in Thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements.....	\$ 8,989	\$ 875		\$ 9,864
Building and Building Improvements.....	573,244	21,451	\$ (85)	594,610
Equipment.....	97,381	11,257	(1,718)	106,920
Construction in Progress.....	35,952	42,066		78,018
Subtotal.....	\$ 715,566	\$ 75,649	\$ (1,803)	\$ 789,412
Less: Accumulated Depreciation.....	(325,122)	(26,857)	1,687	(350,292)
Total.....	\$ 390,444	\$ 48,792	\$ (116)	\$ 439,120

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$285.3 million at June 30, 2002. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Capital Projects Fund	\$ 149,644
Turnpike System	135,650
Total	\$ 285,294

Turnpike System: The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Governor and Executive Council to issue up to \$586 million of revenue bonds to support this project. The state has issued \$395 million of revenue bonds for this project.

Advance Refunding: The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the state's financial statements (expressed in thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 2002
Governmental Fund Types (General Obligation Bonds):	
December 1, 1998	\$ 61,450
December 19, 1996	16,000
Subtotal	77,450
Turnpike System (Revenue Bonds):	
January 20, 1994	27,000
December 19, 2001	85,255
Subtotal	112,255
Total.....	\$ 189,705

Changes in Long-Term Liabilities: On November 6, 2001, the state issued \$100 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.0% to 5.0%, and the maturity dates range from 2002 through 2021. A portion of the proceeds from this issue was used to pay off \$50 million of bond anticipation notes which were outstanding at June 30, 2001.

On December 21, 2001, the state issued \$5.13 million of taxable general obligation bonds to retire certain pension obligations as authorized pursuant to chapter 275 laws of 2001. These will mature by 2006.

On December 19, 2001, the state issued \$84.9 million of Turnpike System Revenue bonds. The interest rates on these serial bonds range from 3.0% to 5.25%. These bonds were used to refund \$85.2 million of revenue bonds. The proceeds of the refunding were used to purchase U.S. Government Securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. The advance refunding will result in a cash savings of \$8.9 million over the next twenty years and an economic gain of \$5.5 million.

The following is a summary of the changes in the long-term liabilities for bonds, compensated absences, and uninsured claims as reported by the primary government during the fiscal year (expressed in thousands):

	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
Governmental Activities							
General Obligation Bonds Payable.....	\$ 602,185	\$ 9,527	\$ 108,470	\$ 59,978	\$ 660,204	\$ 68,300	\$ 591,904
Bond Anticipated Notes.....	50,000			50,000			
Compensated Absences.....	55,031		42,801	39,189	58,643	17,516	41,127
Uninsured Claims.....	14,942		14,402	5,751	23,593	1,213	22,380
Capital Lease.....	7,286		2,600	1,905	7,981		7,981
Legal Contingency.....	5,000				5,000		5,000
Total Governmental.....	\$ 734,444	\$ 9,527	\$ 168,273	\$ 156,823	\$ 755,421	\$ 87,029	\$ 668,392
Business-Type Activities							
Turnpike System							
General Obligation Bonds.....	\$ 26,221			\$ 4,036	\$ 22,185	\$ 4,016	\$ 18,169
Revenue Bonds.....	331,480		\$ 84,103	94,422	321,161	7,765	313,396
Compensated Absences.....	1,939		1,996	936	2,999	269	2,730
Total.....	\$ 359,640		\$ 86,099	\$ 99,394	\$ 346,345	\$ 12,050	\$ 334,295
Liquor Commission							
Capital Lease.....			\$ 1,633	\$ 50	\$ 1,583		\$ 1,583
Compensated Absences.....	\$ 1,824		1,870	1,504	2,190	\$ 530	1,660
Total.....	\$ 1,824		\$ 3,503	\$ 1,554	\$ 3,773	\$ 530	\$ 3,243
Sweepstakes Commission							
Compensated Absences.....	\$ 313		\$ 334	\$ 266	\$ 381	\$ 112	\$ 269
Total.....	\$ 313		\$ 334	\$ 266	\$ 381	\$ 112	\$ 269
Total Business-Type.....	\$ 361,777		\$ 89,936	\$ 101,214	\$ 350,499	\$ 12,692	\$ 337,807

Capital Appreciation Bonds: Six of the state's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. At June 30, 2002, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$104.7 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Debt Maturity: All bonds issued by the state, except for the \$395 million in Turnpike revenue bonds, are general obligation bonds, which are backed by the full faith and credit of the state. Interest rates on these issues range from 3.0% to 7.2%. Debt service payments on "self-liquidating" debt are funded by reimbursements from component units for debt issued by the state on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (expressed in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS						DEBT SERVICE		
	Governmental Activities				Business-Type Activities		TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Total	Turnpike System		Principal	Interest	Total
					General Obligation	Revenue			
2003.....	\$ 56,332	\$ 5,769	\$ 6,199	\$ 68,300	\$ 4,016	\$ 7,765	\$ 80,081	\$ 40,936	\$ 121,017
2004.....	57,621	4,268	5,638	67,527	3,975	8,110	79,612	38,203	117,815
2005.....	54,582	4,217	5,350	64,149	3,709	11,145	79,003	35,800	114,803
2006.....	50,650	4,235	5,430	60,315	3,671	10,710	74,696	32,876	107,572
2007.....	47,268	4,233	5,402	56,903	2,637	11,690	71,230	30,523	101,753
2008-2012.....	204,058	17,004	24,989	246,051	4,177	67,400	317,628	112,996	430,624
2013-2017.....	91,015	5,830	9,721	106,566		93,755	200,321	61,053	261,374
2018-2022.....	35,477	2,656	2,267	40,400		68,055	108,455	24,701	133,156
2023-2027.....						35,860	35,860	7,136	42,996
2028-2032.....						11,725	11,725	900	12,625
Subtotal.....	\$ 597,003	\$ 48,212	\$ 64,996	\$ 710,211	\$ 22,185	\$ 326,215	\$ 1,058,611	\$ 385,124	\$ 1,443,735
Unamortized Discount / Premium	(42,309)	(4,719)	(2,979)	(50,007)		1,651	(48,356)		(48,356)
Unamortized Loss on Refunding						(6,705)	(6,705)		(6,705)
Total.....	\$ 554,694	\$ 43,493	\$ 62,017	\$ 660,204	\$ 22,185	\$ 321,161	\$ 1,003,550	\$ 385,124	\$ 1,388,674

Turnpike System principal debt service includes general obligation principal debt service of \$22.2 million, serial revenue bond principal debt service of \$86.3 million, and term revenue bond principal debt service of \$239.9 million.

Bond Anticipation Notes- The state issues bond anticipation notes in advance of issuing general obligation bonds. The proceeds are deposited into the capital fund to fund various capital outlay projects. At June 30, 2002, the state did not have any notes outstanding.

MAJOR COMPONENT UNIT

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities as reported by the University of New Hampshire during the fiscal year (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH.....	\$ 297,318	\$ 48,578	\$ 44,856	\$ 301,040	\$ 9,335	\$ 291,705

The University System of New Hampshire's long-term liabilities include: Revenue Bonds Payable of \$193.9 million; accrued employee benefits and compensated absences of \$67.6 million; and other liabilities of \$30.2 million.

Debt Maturity: The following is a summary of the annual principal payments and total debt service relating to the long-term debt of the University of New Hampshire (expressed in thousands):

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2003.....	\$ 853	\$ 8,476	\$ 9,329
2004.....	1,927	10,106	12,033
2005.....	5,442	9,979	15,421
2006.....	5,442	9,735	15,177
2007.....	5,691	9,484	15,175
2008-2012.....	31,641	43,250	74,891
2013-2017.....	37,578	34,410	71,988
2018-2022.....	43,740	23,378	67,118
2023-2027.....	30,640	13,238	43,878
2028-2032.....	25,760	6,568	32,328
2033-2034.....	12,240	635	12,875
Subtotal.....	200,954	169,259	370,213
Unamortized Discount.....	(36)		(36)
Total.....	\$ 200,918	\$ 169,259	\$ 370,177

6. RISK MANAGEMENT AND INSURANCE

The state is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The state primarily retains the risk of loss except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. There are approximately 30 such commercial insurance programs in effect, which include fleet automobile liability, ski area liability for Cannon Mountain, and a faithful performance position schedule bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years. Claim liabilities not covered by commercial insurance are

recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2002, the amount of liabilities not covered by commercial insurance was approximately \$25.1 million related to worker's compensation claims. This liability is the state's best estimate based on available information. In the governmental funds, the total liability is approximately \$22.6 million. Of this liability, \$1.3 million has been determined to be payable with expendable available financial resources and recorded as accounts payable in the governmental funds. The remaining \$21.3 million long-term liability has been recorded in the Government-wide financial statements. The total liability recorded in the enterprise funds amounted to approximately \$2.5 million at June 30, 2002.

The following table presents the changes in worker's compensation claim liabilities (short- and long-term combined) during the fiscal years ending June 30, 2001, and June 30, 2002:

Changes in Claim Liabilities (expressed in thousands)				
Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Paid	Ending Balance
2001	\$ 12,133	\$ 10,651	\$ 5,552	\$ 17,232
2002	17,232	14,351	6,530	25,053

7. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds for the primary government on the fund financial statements consist of the following as of June 30, 2002 (expressed in thousands):

RECEIVABLES	AMOUNT	PAYABLES	AMOUNT
General Fund.....	\$ 1,934	Education Fund.....	\$ 1,934
Education Fund.....	647	Sweepstakes Commission.....	647
Liquor Commission.....	2,070	General Fund.....	2,070
Total.....	\$ 4,651	Total.....	\$ 4,651

The net due from or to other funds for the primary government has been reported as "internal balances" in the government-wide financial statements. The net amount of \$1.4 million (governmental payable of \$2.0 million less business-type receivable of \$.6 million) represents the "internal balances" amount on the statement of net assets. The \$1.9 million has been netted on the government-wide financial statement.

Due from Component Units: As of June 30, 2002, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$43.4 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund Financial Statements.

The state has issued general obligation bonds to finance certain capital projects for the University System of New Hampshire (University System). As of June 30, 2002, the outstanding balance of these bonds was \$6.4 million. The state is reimbursed for the debt service payments from the University System as the payments are due. This receivable is classified as "Due from Component Units" and "Deferred Revenue" in the State's General Fund Financial Statements.

8. INTERFUND TRANSFERS

Interfund transfers during the current fiscal year were as follows (expressed in thousands):

Transferred From	Transferred To			
	General Fund	Education Fund	Non-Major Fund	Total Governmental Fund
Governmental Funds				
General Fund.....		\$ 82,270		\$ 82,270
Highway Fund.....	\$ 806		\$ 806	1,612
Capital Projects.....	2,552			2,552
Total Governmental Funds.....	* 3,358	* 82,270	* 806	* 86,434
Proprietary - Enterprise Funds				
Liquor Commission.....	82,602			82,602
Sweepstakes Commission.....		66,125		66,125
Total Proprietary - Enterprise Funds.....	\$ 82,602	\$ 66,125		\$ 148,727

*These Amounts have been eliminated within governmental activities on the government-wide financial statements.

- The following transfers represent sources of funding identified through the state's budget per Ch. 130/L'01:
 - \$65.7 million appropriated from General Fund to fund education, \$16.6 million transferred to cover the education fund deficit.
 - Transfer of Sweepstakes Commission profits of \$66.1 million to fund education.
 - Transfer of Liquor Commission profits of \$82.6 million to General Fund for government operations.
- The General Fund share of bond proceeds was transferred from the Capital Fund in the amount of \$2.5 million.
- Pursuant to RSA 260:60, \$1.6 million of unrefunded gas tax was transferred on a 50/50 basis to the General and Fish & Game Funds.

9. UNDESIGNATED FUND BALANCE (DEFICIT) and CONTRACTUAL COMMITMENTS

Highway Fund: The Highway Fund unreserved, undesignated deficit was \$4.1 million as of June 30, 2002. The deficit exists primarily because certain multi-year Highway infrastructure construction projects are appropriated from current year fund balance.

Capital Projects Fund: The June 30, 2002, unreserved, undesignated deficit of the Capital Projects Fund was \$152.1 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected to be incurred. As of June 30, 2002, bonds authorized and unissued for the Capital Projects Fund amounted to \$149.6 million.

Contractual Commitments: The state has estimated its share of contractual obligations for construction contracts to be \$52.2 million at June 30, 2002. This represents total obligations of \$169.4 million less \$117.2 million in estimated federal aid.

10. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can

receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to RSA 100-A:50, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees of political subdivisions and teachers and Group II police officers and firefighters.

A special account has been established by RSA 100-A:16, II(h) for additional benefits. The account is credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus 1/2 of 1 percent.

The New Hampshire Retirement System issues a publicly available financial report that may be obtained by writing to them at 4 Chenell Drive, Concord, NH 03301-8509 or from their web site at <http://webster.state.nh.us/retirement>.

Funding Policy: The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In fiscal year 2002, by statute, Group I members contributed 5.0% of gross earnings. Group II members contributed 9.3% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the open group aggregate funding method and are expressed as a percentage of gross payroll. The state's share represents 100% of the employer cost for all state employees, and 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The state does not participate in funding the employer cost of other political subdivision employees.

The state's contributions to the plan for the years ending June 30, 2002, 2001, and 2000 were \$37.1 million, and \$33.8 million, and \$31.7 million, respectively, which equals the required contributions for each year.

HEALTH CARE INSURANCE FOR RETIRED EMPLOYEES

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the state's employees may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through an insurance company whose premiums are based on the benefits paid during the year. The state recognizes the cost of providing these benefits by paying the entire annual insurance premiums, with minor contributions offset by members and a portion paid by the New Hampshire Retirement System's medical premium subsidy for Group I and Group II employees. The state paid approximately \$26.5 million of annual insurance premiums for approximately 7,589 state retirees and covered dependents receiving a periodic pension benefit for the fiscal year ended June 30, 2002.

COMPONENT UNITS

Eligible employees of the New Hampshire Retirement System and the Pease Development Authority participate in the PERS and additional disclosure about their participation is available in the NHRS audited financial statements. Employees of the New Hampshire Community Development Finance Authority, the Business Finance Authority, and the University System of New Hampshire are not members of the New Hampshire Retirement System, but participate in their own defined contribution plans.

11. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Bonds and First Mortgages: The state of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the state of New Hampshire. The following table shows the composition of the state's \$192 million of contingent liabilities and the statutory limits as of June 30, 2002 (expressed in thousands):

	PRINCIPAL	INTEREST	TOTAL
Water Pollution and Waste Disposal , RSA 485-A:7 (Legal Limit \$175.0 million-principal and interest).....	\$ 52,916	\$ 16,439	\$ 69,355
Business Finance Authority , RSA 162-A:22-Economic Development (Legal Limit \$95.0 million-principal only).....	53,349	23,060	76,409
N.H. School Building Authority , RSA 195-C:2 (Legal Limit \$75.0 million-principal and interest).....	33,083	12,514	45,597
Solid Waste Management , RSA 149-M:31 (Legal Limit \$30.0 million - principal and interest).....	755	236	991
Total	\$ 140,103	\$ 52,249	\$ 192,352

The state of New Hampshire has a limited liability for the New Hampshire Housing Finance Authority and the New Hampshire Municipal Bond Bank. Both entities are required to maintain a bond reserve fund. A request for an appropriation may be submitted to the Legislature for a sum required to maintain the bond reserve fund at the established bond reserve fund requirements. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the state and no such appropriations have ever been requested.

RSA 12-G:17 authorizes the Pease Development Authority (PDA) to issue bonds for the development of the Pease Air Force Base. RSA 12-G:31 states that the Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50 million, plus interest. As of June 30, 2002, the state has issued \$37.6 million in general obligation bonds on behalf of PDA in lieu of a state guarantee, in accordance with RSA 12-G:31, III. The general obligation debt issued on behalf of PDA reduced the legal limit on debt guaranteed by the state to \$12.4 million at June 30, 2002.

RSA 12-G:33 authorizes the Pease Development Authority (PDA) to issue bonds for the development of the former Pease Air Force Base subject to the approval by the Legislative Fiscal Committee of the comprehensive development plan prepared by the PDA. The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$35.0 million, plus interest.

RSA 33:3-e authorizes state municipalities to issue Superfund Site Cleanup Bonds in order to pay all response costs associated with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50 million, and interest.

Federal Grants: The state receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from the audit may become the liability of the state. The state estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

COMPONENT UNITS

The Community Development Finance Authority records liabilities payable from restricted assets of \$6.6 million. These liabilities relate to economic development projects for which pledges have been received by the authority. There is no guarantee that these projects will begin or be completed. In the event the project does not utilize the funding donated on its behalf, the funds are to be returned to the donor or the state at the discretion of the donor.

12. CONDENSED STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNITS

STATE OF NEW HAMPSHIRE
CONDENSED STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2002
(Expressed in Thousands)

	Major	Non-Major			Total
	University System of N.H.	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	
ASSETS					
Current Assets.....	\$ 196,826	\$ 14,940	\$ 9,187	\$ 16,085	\$ 237,038
Capital Assets, Net.....	439,120	5,883	165	66,625	511,793
Other Non-Current Assets.....	228,833	15,950	1,651	200	246,634
Total Assets.....	864,779	36,773	11,003	82,910	995,465
LIABILITIES					
Current Liabilities.....	76,274	4,068	4,413	2,724	87,479
Long Term Debt.....	286,353	26,847	3,877	3,272	320,349
Due to Primary Government.....	6,396			43,444	49,840
Total Liabilities.....	369,023	30,915	8,290	49,440	457,668
NET ASSETS					
Invested in Capital Assets, Net of Related Debt.....	279,974	5,883	164	41,066	327,087
Restricted Assets.....	168,928			8,613	177,541
Unrestricted Assets.....	46,854	(25)	2,549	(16,209)	33,169
Total Net Assets.....	\$ 495,756	\$ 5,858	\$ 2,713	\$ 33,470	\$ 537,797

STATE OF NEW HAMPSHIRE
CONDENSED STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	Expenses	Program Revenues			Net (Expenses) Revenues	General Revenue	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions	Capital Grants					
Component Units:									
College & University.....	\$ 499,283	\$ 262,251	\$ 112,959	\$ 11,520	\$ (112,553)	\$ 104,273	\$ (8,280)	\$ 504,036	\$ 495,756
Business Finance Authority.....	2,161	3,781			1,620	(1,227)	393	5,465	5,858
Community Development Finance Authority.....	1,664	1,373	610		319		319	2,394	2,713
Pease Development Authority.....	12,220	11,842			(378)	14,467	14,089	19,381	33,470
Component Unit Total.....	\$ 515,328	\$ 279,247	\$ 113,569	\$ 11,520	\$ (110,992)	\$ 117,513	\$ 6,521	\$ 531,276	\$ 537,797

STATE OF NEW HAMPSHIRE
CONDENSED STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	Net Cash Provided (Used) by:				Net Increases (Decreases) in Cash and Cash Equivalents	Cash and Cash Equivalents Beginning of Year	Cash and Cash Equivalents End of Year
	Operating Activities	Noncapital Financing Activities	Capital and Related Financing Activities	Investing Activities			
Component Units:							
College & University.....	\$ (58,204)	\$ 88,447	\$ (71,494)	\$ 16,770	\$ (24,481)	\$ 101,456	\$ 76,975
Business Finance Authority.....	2,978	3,151	(2,451)	(2,157)	1,521	10,299	11,820
Community Development Finance Authority.....	(2,381)	330	(9)	280	(1,780)	7,377	5,597
Pease Development Authority.....	3,314		(3,128)		186	3,772	3,958
Non-Major Component Unit Total.....	\$ (54,293)	\$ 91,928	\$ (77,082)	\$ 14,893	\$ (24,554)	\$ 122,904	\$ 98,350

13. LEASE COMMITMENTS**OPERATING LEASES**

The state has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2002 for governmental activities and business-type activities were approximately \$7.9 million and \$2.3 million, respectively. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2002 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2003.....	\$ 8,742	\$ 1,563
2004.....	4,857	1,147
2005.....	3,118	1,030
2006.....	1,225	768
2007.....	346	440
2008-2012.....	190	352
Total.....	\$ 18,478	\$ 5,300

CAPITAL LEASES

The state has entered into lease agreements as lessee for financing the acquisition of buildings and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The future minimum lease payments and the net present value of those payments at June 30, 2002, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2003.....	\$ 1,279	\$ 255
2004.....	1,182	255
2005.....	1,063	255
2006.....	1,009	255
2007.....	998	255
2008 - 2012.....	2,581	676
2013 - 2017.....	1,573	-
2018 - 2022.....	779	-
Total.....	10,464	1,951
Amount Representing Interest.....	(2,483)	(368)
Present Value of Minimum Lease Payments.....	\$ 7,981	\$ 1,583

The assets acquired through capital leases and included in capital assets at June 30, 2002 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 3,790	\$ 504
Buildings & Building Improvements.....	8,096	1,129
Total.....	11,886	1,633
Less: Accumulated Depreciation.....	(6,254)	(214)
Net.....	\$ 5,632	\$ 1,419

14. LITIGATION**EDUCATION***Claremont School District, et. al. v. Governor, et. al.*

For the last several years, the state has been involved in ongoing litigation initiated against the state by five school districts who challenged the constitutionality of the state's statutory system of financing the operation of elementary and secondary public schools primarily through local property taxes. On December 17, 1997, the New Hampshire Supreme Court ruled in favor of the Plaintiffs and found that property taxes in support of education are state taxes and that such taxes must be proportional and reasonable throughout the state, and that the current system failed to meet this standard. The Supreme Court further held that a constitutionally adequate public education is a fundamental right, and that the legislative and executive branches must develop and adopt specific criteria implementing appropriate guidelines for such an education.

During the 1998 session, the legislature passed a law defining the components of what constitutes an adequate education and further established commissions to study the costs of providing a constitutionally adequate education and special education. These commissions issued reports in December 1998. The 1998 legislative session also produced a law requiring a comprehensive study of the school facilities statewide. This study was commenced in 1999, was completed by July 1, 2000 and was reported to the legislature on September 1, 2000.

On April 29, 1999, the State Legislature produced a law that determined the cost of an adequate education for the biennium beginning July 1, 1999, and commits to the expenditure of that amount of money. Also included in this law are two study commissions: one charged with reviewing New Hampshire's tax structure and the other with reviewing the costs of an adequate education and special education, and the delivery of an adequate education.

In August 1999, the Plaintiffs filed motions in the Supreme Court, which retains jurisdiction in this matter, challenging various aspects of the new system. In October, the Supreme Court struck down the statewide property tax included in the State's funding plan. The court held that the phase-in of the tax in so-called "donor" communities was unconstitutional. The court held that all of the Plaintiffs' other claims were premature and dismissed them without prejudice. In November 1999, the Legislature re-enacted the statewide property tax without the phase-in.

During the 2000 legislative session, two bills with accountability systems to ensure the delivery of an adequate education were introduced and extensively debated by the Legislature. Neither bill was passed by the end of the session. A school facilities' study occurred and was reported to the Legislature on September 1, 2000. That study provided information regarding the conditions of the school buildings in the state. The Educational Adequacy Commission also met during 2000 and issued a report in December 2000 regarding possible adjustments to the calculation for the per pupil cost of an adequate education.

During the 2001 legislative session, several school funding bills and some accountability bills were vigorously debated by the Legislature. An accountability bill was passed by the Legislature but the Governor vetoed it. A school funding bill was also passed which essentially makes the current system permanent by removing the sunset clauses on the current methodology for calculating the per pupil cost and on the Uniform Education Property Tax.

On September 5, 2001, the Plaintiffs filed a motion in the Supreme Court challenging the adequacy of the state's compliance with the Court's prior rulings and seeking an Order requiring the Legislature to enact a new school funding system by June 3, 2002. The Attorney General's Office filed an objection to the Plaintiffs' motion on October 5, 2001, and has asked the Court to close the case. On December 4, 2001 the Supreme Court issued an Order dismissing some of the Plaintiffs' claims without prejudice to be brought in the Superior Court and allowing further briefing by each side and oral argument on the issue of whether it should invoke its continuing jurisdiction to determine if the state had defined an adequate education. Both sides filed briefs on December 21, 2001, on this issue with the Plaintiffs arguing that the Court should invoke its jurisdiction and the state arguing that it should not. Oral argument was held on January 3, 2002, on this issue.

On January 7, 2002, the Supreme Court issued an Order invoking its continuing jurisdiction and requesting briefs on the issues of whether standards of accountability must be established by the state to meet its constitutional requirement of providing an adequate education and whether the existing system satisfies this obligation. On February 1, 2002, both sides filed briefs on these issues. The Plaintiffs argued that the State had no established standards of accountability to ensure that schools were providing adequate education and had no mechanisms in place to require schools to do so. The state argued that the current school approval standards combined with the state's assessment tests in the 3rd, 6th and 10th grades were more than adequate to meet the constitutional requirement.

On April 11, 2002, the Supreme Court issued a Decision finding that accountability is an essential component of the state's duty to provide an adequate education and finding that the existing statutory system has deficiencies that are inconsistent with the state's duty. The Court found that the state has not provided a sufficient mechanism to require that school districts actually provide an adequate education. The Court held that the state needs to do more work to fulfill its duty and to incorporate meaningful accountability in the education system. No time line was established in the Decision under which the executive and legislative branches must create standards of accountability. It is expected that the matter will be debated during the 2003 Legislative Session but no legislation has been proposed at this time.

DEPARTMENT OF REVENUE

The Department of Revenue is involved in the following cases involving the administration of taxes:

INTEREST AND DIVIDENDS TAX

Smith, et al. v. Department of Revenue Administration

A consolidated action against DRA in which the taxpayers challenged the constitutionality, under both the State and Federal Constitutions, of the interest and dividends tax law in effect from 1989 through June 30, 1994 was tried in the Merrimack County Superior Court in June 2000. That trial resulted in a judgment rejecting the Plaintiffs' broad claims for in excess of \$100 million and ordered the state to provide Plaintiffs with a refund of taxes paid on interest and dividends received from out-of-state instruments *only*.

The Plaintiffs appealed the Superior Court's Order to the New Hampshire Supreme Court, claiming that a refund is due for taxes paid on interest received from a broader range of financial instruments. The state cross-appealed, contending that no refund is required. The Supreme Court accepted both appeals. The Plain-

tiffs filed their brief on January 28, 2002, arguing that they should receive refunds for the broader range of financial instruments. The state filed its brief on April 5, 2002, arguing that the Superior Court was correct in finding that the Plaintiffs should only receive refunds on interest and dividends received from out-of-state bank instruments. On November 25, 2002, the New Hampshire Supreme Court's Order finding that refunds should only be made to taxpayers who paid the interest and dividends tax on out of state bank instruments. Based on this Decision, the state will refund approximately \$3.5 million within the next six months. The Plaintiffs are considering whether to appeal the decision to the United States Supreme Court. They will have ninety days to file such an appeal. The state has recognized this liability on the government wide financial statements.

BUSINESS PROFITS TAX

General Electric v. Department of Revenue Administration

This is an appeal by General Electric from a decision by the Department of Administration. In this appeal, GE claims that the dividends received deduction allowed under RSA 77-A:4, IV should be invalidated because the statute discriminates against the foreign commerce in violation of the commerce clause of the United States Constitution and results in unfair taxation out of proportion to GE's activities in New Hampshire in violation of the Due Process and Commerce Clauses of the U.S. Constitution. If this issue is resolved in GE's favor, the Department would be required to refund \$3.2 million to GE. As this case was recently filed, the state has not had time to answer. It is not possible to predict the outcome of this case at this time.

LEGACY AND SUCCESSION TAX

A number of challenges have been raised concerning the constitutionality of the Legacy and Succession tax, RSA 86:6. The Department has six petitions for redetermination or reconsideration at the hearing level, two appeals in probate court and an appeal in the Supreme Court—all challenging the constitutionality of the Legacy and Succession tax. The appeal to the Supreme Court has been accepted. A briefing schedule has not yet been issued. If the Court were to find the Legacy and Succession tax unconstitutional in these cases, this would result in losses to the state in excess of \$2.0 million. The Legacy and Succession tax brings in \$35 million to \$50 million per year. It is not possible to predict the outcome of these cases at this time.

OTHER LITIGATION

The state, its agencies and employees are defendants in numerous other lawsuits. Although the Attorney General is unable to predict the ultimate outcome of these suits, in the opinion of the Attorney General and the Commissioner of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgments against the state, which would materially affect its financial position, is remote. Accordingly, no provision for such ultimate liability, if any, has been made in the financial statements.

15. SUBSEQUENT EVENT

In August 2002, the state issued \$59.5 million of general obligation capital improvement and refunding bonds. The interest rates of these 20-year serial bonds range from 3.0% to 5.0%.

Required Supplementary Information Budgetary Schedules



STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(expressed in thousands)

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes.....	\$ 450	\$ 450	\$ 413	\$ (37)
Special Taxes.....	887,551	898,472	844,040	(54,432)
Personal Taxes.....	61,178	61,178	60,254	(924)
Business License Taxes.....	19,161	19,261	17,629	(1,632)
Non-Business License Taxes.....	66,189	67,008	79,727	12,719
Fees.....	107,636	102,788	93,895	(8,893)
Fines, Penalties and Interest.....	20,301	19,301	19,697	396
Grants from Federal Government.....	895,367	1,064,161	950,212	(113,949)
Grants from Private and Local Sources.....	115,163	144,845	140,097	(4,748)
Rents and Leases.....	6,324	6,507	6,271	(236)
Interest Premiums and Discounts.....	2,753	3,613	5,131	1,518
Sale of Commodities.....	4,847	5,323	10,845	5,522
Sale of Services.....	73,033	75,725	83,556	7,831
Assessments.....	19,705	24,531	22,478	(2,053)
Grants from Other Agencies.....	83,784	93,948	87,192	(6,756)
Miscellaneous.....	72,770	63,026	77,285	14,259
Total Revenues.....	2,436,212	2,650,137	2,498,722	(151,415)
EXPENDITURES				
General Government.....	212,903	233,576	224,818	8,758
Justice and Public Protection.....	273,217	318,786	292,377	26,409
Resource Protection and Development.....	153,917	169,854	128,056	41,798
Transportation.....	8,509	12,072	9,935	2,137
Health and Social Services.....	1,369,923	1,491,907	1,441,702	50,205
Education.....	397,999	447,342	331,861	115,481
Debt Service.....	76,815	76,815	76,815	
Capital Outlays.....	34,372	34,372	34,372	
Total Expenditures	2,527,655	2,784,724	2,539,936	244,788
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(91,443)	(134,587)	(41,214)	93,373
OTHER FINANCING SOURCES (USES)				
Operating Transfers In.....	80,325	87,624	87,624	
Operating Transfers Out	(113,790)	(113,811)	(113,811)	
Miscellaneous.....		5,289	5,289	
Total Other Financing Sources (Uses).....	(33,465)	(20,898)	(20,898)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(124,908)	(155,485)	(62,112)	93,373
Fund Balance - July 1.....	351,093	351,093	351,093	
Fund Balance - June 30.....	\$ 226,185	\$ 195,608	\$ 288,981	\$ 93,373

The Notes to Required Supplementary Information are an integral part of this statement.
See Independent Auditor's Report.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Business License Taxes.....	\$ 144,375	\$ 144,221	\$ 141,801	\$ (2,420)
Non-Business License Taxes.....	68,367	68,367	67,909	(458)
Fees.....	16,065	16,065	15,706	(359)
Fines, Penalties and Interest.....	457	457	729	272
Grants from Federal Government.....	146,507	182,611	153,049	(29,562)
Grants from Private and Local Sources.....	9,046	6,948	10,695	3,747
Interest Premiums and Discounts.....	5,000		1,881	1,881
Sale of Commodities.....	160	160	174	14
Sale of Services.....	19,626	19,561	19,231	(330)
Assessments.....	328	328	(2)	(330)
Grants from Other Agencies.....	854	882	711	(171)
Miscellaneous.....	223	5,223	7,272	2,049
Total Revenue.....	411,008	444,823	419,156	(25,667)
EXPENDITURES				
Transportation.....	238,282	246,201	236,260	9,941
Debt Service.....	5,648	5,648	5,648	
Capital Outlays.....	176,741	176,741	176,741	
Total Expenditures.....	420,671	428,590	418,649	9,941
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(9,663)	16,233	507	(15,726)
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out		(1,612)	(1,612)	
Miscellaneous.....		1,767	1,767	
Total Other Financing Sources (Uses).....		155	155	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses...	(9,663)	16,388	662	(15,726)
Fund Balance - July 1.....	119,163	119,163	119,163	
Fund Balance - June 30.....	\$ 109,500	\$ 135,551	\$ 119,825	\$ (15,726)

The Notes to Required Supplementary Information are an integral part of this statement.
See Independent Auditor's Report.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(expressed in thousands)

	Education Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes.....	\$ 501,900	\$ 501,900	\$ 501,291	\$ (609)
Special Taxes.....	255,230	255,230	239,663	(15,567)
Personal Taxes.....	24,810	24,810	23,968	(842)
Miscellaneous.....	40,000	40,000	40,000	
Total Revenue.....	821,940	821,940	804,922	(17,018)
EXPENDITURES				
General Government.....	5,000	661	661	
Education.....	882,630	882,630	882,192	438
Total Expenditures.....	887,630	883,291	882,853	438
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(65,690)	(61,351)	(77,931)	(16,580)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In.....	113,790	113,811	113,811	
Miscellaneous.....	21			
Total Other Financing Sources (Uses).....	113,811	113,811	113,811	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses...	48,121	52,460	35,880	(16,580)
Fund Balance (Deficit) - July 1.....	(48,121)	(48,121)	(48,121)	
Fund Balance (Deficit) - June 30.....	\$ -	\$ 4,339	\$ (12,241)	\$ (16,580)

Note to the Required Supplementary Information - Budgetary Reporting

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

RECONCILIATION OF BUDGETARY TO GAAP

The state's biennial budget is prepared on a basis other than GAAP. The "actual" results columns of the Budget and Actual – Non-GAAP budgetary statements are presented on a "budgetary basis" to provide a meaningful comparison to budget.

The major differences between the budgetary basis and the GAAP basis are:

1. Expenditures are recorded when cash is paid or committed (budgetary), rather than when the obligation is incurred (GAAP). In addition, revenue based on these accruals is adjusted on a GAAP basis only.
2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the General and Special Revenue Funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2002 (expressed in thousands).

	General Fund	Highway Fund	Education Fund
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (Budgetary Basis)	\$ (62,112)	\$ 662	\$ 35,880
Adjustments and Reclassifications:			
To record Accounts Payable and Accrued Payroll	16,762	1,688	
To record Accounts Receivable and Deferred Revenue	52	(121)	(66,125)
To record Other Financing Sources	29,926		34,584
Excess (Deficiency) of revenues and other financing sources (under) expenditures and other financing uses (GAAP)*	\$ (15,372)	\$ 2,229	\$ 4,339

*Includes Change in Inventory reserves for General and Highway, \$208 and \$1,767 respectively.

Combining Financial Statements

Non - Major Governmental Financial Statements

Special Revenue Fund: Fish and Game Fund: The operations of the state Fish and Game Department, including the operation of fish hatcheries, inland and marine fisheries, and wildlife areas, and functions related to law enforcement, land acquisition, and wildlife management and research, are financed through the Fish and Game Fund. Principal revenues of this fund include fees from fish and game licenses, the marine gas tax, penalties, and recoveries, and federal grants-in-aid related to fish and game management, all of which are appropriated annually by the Legislature for the use of the Fish and Game Department.

Capital Projects Fund: used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of state bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

Permanent Funds:

NH Hospital: The NH Funds consist of several trust fund that were made expressly for the benefit of patients at the NH Hospital through various bequeathals.

Land Conservation Endowment: The Land Conservation Investment Program (LCHIP) is responsible for monitoring the condition and status of 80 state-held conservation easements acquired by the LCHIP.

Other: : The other category consists of several account that report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the state or its citizenry. They include: Harriet Huntress, Hattie Livesey, John Nesmith, Special Teachers Comp., Catastrophic Illness, Sam Whidden Trust, Ben Thompson, and the Guy Thompson Memorial.

STATE OF NEW HAMPSHIRE
COMBINING BALANCE SHEET
NON - MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	Permanent Funds							
	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent	Total Non-Major	
ASSETS								
Cash and Cash Equivalents	\$ 8,574	\$ 46,014	\$ 561			\$ 561	\$ 55,149	
Investments			4,563	\$ 2,346	\$ 1,926	8,835	8,835	
Receivables (Net).....	1,336	5,327					6,663	
Inventories.....	562						562	
Total Assets.....	\$ 10,472	\$ 51,341	\$ 5,124	\$ 2,346	\$ 1,926	\$ 9,396	\$ 71,209	
LIABILITIES								
Accounts Payable.....	\$ 458	\$ 8,257					\$ 8,715	
Accrued Payroll.....	368						368	
Deferred Revenue		2,036					2,036	
Total Liabilities.....	826	10,293					11,119	
FUND BALANCES								
Reserved for Encumbrances.....	1,233	46,148					47,381	
Reserved for Inventories.....	562						562	
Reserved for Unexpended Appropriations..	5,255	147,028					152,283	
Reserved for Permanent Trust			\$ 5,124	\$ 2,346	\$ 1,926	\$ 9,396	9,396	
Unreserved, Undesignated (Deficit).....	2,596	(152,128)					(149,532)	
Total Fund Balances	9,646	41,048	5,124	2,346	1,926	9,396	60,090	
Total Liabilities and Fund Balances	\$ 10,472	\$ 51,341	\$ 5,124	\$ 2,346	\$ 1,926	\$ 9,396	\$ 71,209	

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	Permanent Funds						Total Governmental Funds
	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent	
REVENUES							
Business License Taxes.....	\$ 50						\$ 50
Non-Business License Taxes.....	7,643						7,643
Fees.....	1,443						1,443
Fines, Penalties and Interest.....	172						172
Grants from Federal Government.....	4,845	\$ 32,447					37,292
Grants from Private and Local Sources.....	222	155					377
Interest, Premiums and Discounts.....	183	17	\$ 202	\$ 116	\$ 53	\$ 371	571
Sale of Commodities.....	346						346
Grants from Other Agencies.....	488						488
Miscellaneous.....	498		382	9	26	417	915
Total Revenues.....	15,890	32,619	584	125	79	788	49,297
EXPENDITURES							
Current:							
Resource Protection and Development.....	15,002			138		138	15,140
Health and Social Services.....			875		202	1,077	1,077
Debt Service.....	297						297
Capital Outlay.....	1,473	76,464					77,937
Total Expenditures.....	16,772	76,464	875	138	202	1,215	94,451
Excess (Deficiency) of Revenues							
Over (Under) Expenditures.....	(882)	(43,845)	(291)	(13)	(123)	(427)	(45,154)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	806						806
Operating Transfers Out.....		(2,552)					(2,552)
Repayment of BANS.....		(50,000)					(50,000)
Proceeds and Premiums from Issuance of Bonds.....		103,340					103,340
Total Other Financing Sources (Uses).....	806	50,788					51,594
Excess (Deficiency) of Revenues and Other Sources							
Over (Under) Expenditures and Other Uses.....	(76)	6,943	(291)	(13)	(123)	(427)	6,440
Fund Balances - July 1	9,763	34,105	5,415	2,359	2,049	9,823	53,691
Change in Reserve for Inventory.....	(41)						(41)
Fund Balances - June 30.....	\$ 9,646	\$ 41,048	\$ 5,124	\$ 2,346	\$ 1,926	\$ 9,396	\$ 60,090

Fiduciary Funds

Pension Trust Fund

The New Hampshire Retirement System consists of a cost-sharing multiple-employer contributory pension plan (Pension Plan) and trust established in 1967 by RSA 100:A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code and a post-retirement medical plan (Medical Plan).

Pension Plan: *the pension plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivision, including counties, municipalities and school districts, are also eligible to participate as group if the governing body of the political subdivision has elected participation.*

Post Retirement Medical Plan: *Pursuant to RSA 100-A:50 and RSA 100-A:53-a, the New Hampshire Retirement System also provides a postretirement medical plan to certain members. The maximum monthly subsidy effective as of July 1, 2002 for eligible members (and beneficiaries) not eligible for Medicare is \$255.60. For those eligible for Medicare, the maximum monthly subsidy is \$161.19. The monthly maximum premium is increased each July 1 by 8%. The System subsidy generally covers the retired member's spouse and any of the retired member's certifiable dependent children with a disability.*

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2002
(Expressed in Thousands)

Pension Trust Funds

	Post Retirement		
	Pension Plan	Medical Plan	Total
ASSETS			
Cash and Cash Equivalents.....	\$ 2,517	\$ 316	\$ 2,833
Cash Collateral on Security Lending.....	304,606	38,265	342,871
Total Cash.....	307,123	38,581	345,704
Receivables:			
Due from Employers.....	4,620		4,620
Due from State.....	4,207		4,207
Due from Plan Members.....	7,636		7,636
Due from Brokers for Securities Sold.....	142,031	17,842	159,873
Interest and Dividends.....	13,987	1,757	15,744
Other	1,607	202	1,809
Total Receivables.....	174,088	19,801	193,889
Investments.....	3,474,227	436,434	3,910,661
Other Assets.....	967	122	1,089
Total Assets.....	3,956,405	494,938	4,451,343
LIABILITIES			
Securities Lending Collateral.....	304,606	38,265	342,871
Management Fees and Other Payables.....	5,659	711	6,370
Due to Brokers for Securities Purchased.....	147,143	18,484	165,627
Total Liabilities.....	457,408	57,460	514,868
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 3,498,997	\$ 437,478	\$ 3,936,475

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)**

	Post Retirement		
	Pension Plan	Medical Plan	Total Plan
ADDITIONS			
Contributions:			
Employer	\$ 46,573	\$ 20,466	\$ 67,039
State Contributions on Behalf of Local Employers.....	10,985	5,492	16,477
Total Employer Contributions.....	57,558	25,958	83,516
Plan Member.....	103,211		103,211
Post Retirement Medical Plan Contributions on Behalf of Employers.....	25,958		25,958
Total Contributions.....	186,727	25,958	212,685
Investment Income:			
From Investing Activities:			
Net Depreciation in Fair Value of Investments.....	(396,095)	(47,453)	(443,548)
Interest.....	64,428	7,719	72,147
Dividends.....	28,845	3,456	32,301
Timberfund Income	(154)	(18)	(172)
Alternative Investment Income.....	1,092	131	1,223
Commercial Real Estate Operating Income.....	36,475	4,370	40,845
Total Loss from Investing Activities.....	(265,409)	(31,795)	(297,204)
Less: Investment Activity Expenses:			
Investment Management Fees.....	23,385	2,802	26,187
Custodial Fees.....	356	43	399
Investment Advisor Fees.....	369	44	413
Total Investment Activity Expenses.....	24,110	2,889	26,999
Total Net Loss from Investing Activities.....	(289,519)	(34,684)	(324,203)
From Securities Lending Activities:			
Security Lending Income.....	9,719	1,164	10,883
Less: Security Lending Borrower Rebates.....	7,962	954	8,916
Less: Security Lending Management Fees.....	527	63	590
Net Income from Securities Lending Activities.....	1,230	147	1,377
Total Net Investment Loss.....	(288,289)	(34,537)	(322,826)
Administrative Assessment.....	308	37	345
Other.....	1,586	190	1,776
Total Additions.....	(99,668)	(8,352)	(108,020)
DEDUCTIONS			
Benefits/Distributions to Participants.....	224,412	24,009	248,421
Refunds of Contributions.....	15,278		15,278
Administrative Expense.....	4,263	511	4,774
Post Retirement Medical Plan Contributions to Pension			
Plan on Behalf of Employers.....		25,958	25,958
Professional Fees.....	389	47	436
Other.....	811	97	908
Total Deductions.....	245,153	50,622	295,775
Net Asset Transfers	(160,374)	160,374	
Net Increase/(Decrease).....	(505,195)	101,400	(403,795)
NET ASSETS HELD IN TRUST FOR BENEFITS			
Beginning of the Year.....	4,004,192	336,078	4,340,270
End of the Year.....	\$ 3,498,997	\$ 437,478	\$ 3,936,475

Private - Purpose Trust Funds

Special Fund for Second Injuries- The special fund for active cases was established to compensate for injuries causing total disability to workers except for those injuries for which the worker is entitled to benefits under the federal social security act. Each carrier and self-insured employer is assessed an amount to be paid into the fund by the state based on a formula specified by statute. Reimbursements for compensable payments made by insurance carriers and self-insured employers are made from this fund upon application from such parties in accordance with rules established by the Labor Commissioner.

NH Veterans Home - The NH Veterans Home has two funds. The Members Administration Account is maintained by the home to receive, hold and disburse residents' money according to the direction of the resident. Each resident has an Administrative Account within the Members Administrative Account where monthly income such as Social Security payments and veteran's benefits, is deposited and room and board (members' excess income) and other member-determined expenditures are made. The other Fund is the Benefit Account whose purpose is to provide needed items for the care, comfort, and safety of residents. The fund consists of donations from individuals and organizations and accrued earnings and interest.

College Savings - The purpose of the College Savers Trust is to provide scholarships for the benefit of residents of the state pursuing programs of study at eligible educational institutions within the state. The scholarship program will be funded from a portion of the administrative proceeds of New Hampshire's UNIQUE College Investing Plan. The scholarships will be granted based on need and merit, and the Commission will develop the specific criteria for granting scholarships and the amounts.

Other: The other category consists of several accounts whose trust arrangements provide principal and income to benefit individuals, private organizations or other governments. They include: Prison Funds, Laconia State School, Japanese Charitable Trust, Youth Development Center, Rural Rehab. Corporation, Mathew Elliott Trust, and the Youth Development Center Funds.

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET ASSETS -
PRIVATE - PURPOSE TRUST FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	Private-Purpose Trust Funds				
	Special Fund For Second Injuries	NH Veterans Home	College Savings	Other	Total Private-Purpose
<u>ASSETS</u>					
Cash and Cash Equivalents.....	\$ 3,916	\$ (112)		\$ 390	\$ 4,194
Other Receivables.....				112	112
Investments.....		968	\$ 1,543	348	2,859
Total Assets.....	3,916	856	1,543	850	7,165
<u>LIABILITIES</u>					
Other Liabilities.....				43	43
Total Liabilities.....				43	43
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 3,916	\$ 856	\$ 1,543	\$ 807	\$ 7,122

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	NH Veterans Home	College Savings	Other	Total Private Purpose
<u>ADDITIONS</u>					
Contributions:					
From Participants.....	\$ 5,629	\$ 3,704		\$ 2,441	\$ 11,774
From Gifts, Bequests, and Endowments.....			\$ 1,091		1,091
Total Contributions.....	5,629	3,704	1,091	2,441	12,865
Interest Income.....	66	30	6	17	119
Other.....			5	423	428
Total Additions.....	5,695	3,734	1,102	2,881	13,412
<u>DEDUCTIONS</u>					
Benefits/Distributions to Participants.....	4,525	3,824	90	183	8,622
Other.....			192	2,950	3,142
Total Deductions.....	4,525	3,824	282	3,133	11,764
Net Increase/(Decrease).....	1,170	(90)	820	(252)	1,648
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES					
Beginning of the Year.....	2,746	946	723	1,059	5,474
End of the Year.....	\$ 3,916	\$ 856	\$ 1,543	\$ 807	\$ 7,122

Agency Funds

Deferred Compensation Withholdings: *The Deferred Compensation Plan is a benefit offered to full-time State of New Hampshire employees. Deferred Compensation funds are withheld for employees using payroll deductions. An account is maintained as a pass through account for the Deferred Compensation, monies are transferred there temporarily and a check is cut from the pay system and wired to Aetna.*

Unified Court System: *These funds are litigation accounts. When party sues another party funds are held in the Judicial Branch Trust Funds until a judgement is made. These trust funds are classified by the court; Superior, Probate, District and Family Division, and have several account types within each court.*

Child Support Funds: *There are currently six funds reported under the child support funds. The Payroll account has the most activity and resulted from the transfer of activity from the Department of Probation to the Division of Human Services (Welfare) in 1981. This account includes the checking account for the dollars received and disbursed on behalf of those receiving Child Support. The revolving fund was established to make timely payment of certain child support. The revolving fund was established to make timely payment of certain child support enforcement services costs. The purpose of the child support enforcement program is to obtain from responsible parents reimbursement of financial assistance provided their dependent children. The lockbox accounts are used to manage the billing, collection and telecommunication system operated on the automated child support system. The other two funds are used for collections relation to Juvenile Services restitution cases and court repayment of lawyers fees.*

Nuclear Decommissioning Fund: *The fund was established to accumulate monies necessary to defray the costs of decommissioning the Seabrook nuclear power plant at the end of its useful or serviceable life. The primary purpose being to ensure the health, safety, and well being of the public and future generations. A Committee established by law establishes the costs of decommissioning and accordingly sets the fees required to be paid into the fund by the owners of the facility. The Public Utility Commission then allows the utility to charge its customers on a Per KW basis the amount the utility pays into the decommissioning fund.*

Maine-NH Interstate Bridge- *The bridge over the Piscataqua river was inadequate to accommodate the traffic between the states of Maine and New Hampshire. The solution to this problem was the construction of a new bridge. As a result, the Maine-New Hampshire Interstate Bridge Authority was created, with the consent of the United State Congress, by entering into a compact formed through the joining of the state of Maine and New Hampshire through a common g agency, a corporation in the state of New Hampshire. The Authority has the power and authority to construct, maintain, reconstruct and operate an interstate bridge across the Piscataqua River between Kittery, Maine and Portsmouth, New Hampshire, and it's approach roads.*

Other: *The other category consists of several accounts whose assets and liabilities for deposits and investments have been entrusted to the state as an agent for others. The following make up this category, Glencliff Home, Financial Responsibility, Dissolution of Corporations, Employee US Savings Bonds, NH Tech. Student Activities, Corrections Funds, Fish & Game Lifetime Licenses, and the Community Conservation Endowment.*

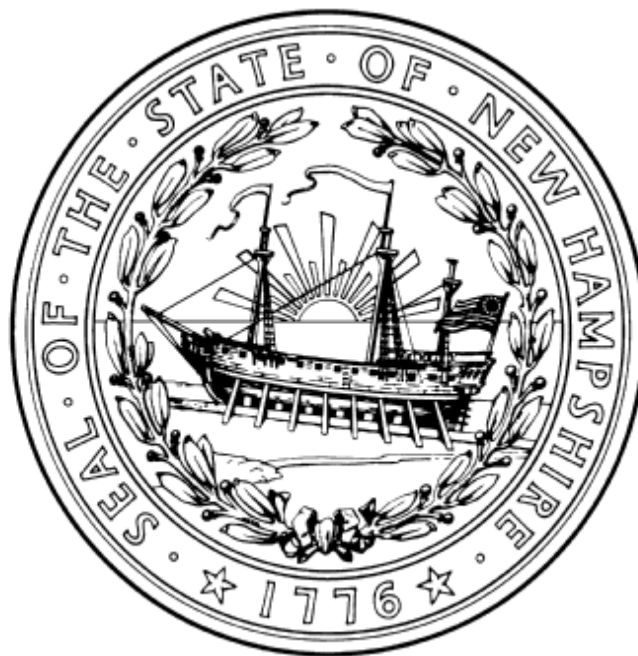
STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30,2002
(Expressed in Thousands)

	Agency Funds							
	Deferred Compensation Withholdings	Unified Court System	Child Support Funds	Nuclear Decommissing Fund	Maine-NH Interstate Bridge	Other Agency Funds		Total
ASSETS								
Cash and Cash Equivalents.....	\$	6,463	\$	3,613		\$	1,688	\$ 11,764
Total Investments.....				\$	164,481	\$	4,053	1,269 169,803
Total Assets.....	\$	\$ 6,463	\$	3,613	\$	164,481	\$	4,053 \$ 2,957 \$ 181,567
LIABILITIES								
Custodial Funds Payable.....	\$	6,463	\$	3,613	\$	164,481	\$	4,053 \$ 2,925 \$ 181,535
Other Liabilities.....								32 32
Total Liabilities.....	\$	\$ 6,463	\$	3,613	\$	164,481	\$	4,053 \$ 2,957 \$ 181,567

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30,2002
(Expressed in Thousands)**

	Balance			Balance	
	July 1, 2001	Additions	Deletions	June 30, 2002	
<u>Deferred Compensation Withholdings</u>					
<u>ASSETS</u>					
Cash and Cash Equivalents.....	\$	\$ 10,748	\$ 10,748	\$	
<u>LIABILITIES</u>					
Custodial Funds Payable.....	\$	\$ 10,748	\$ 10,748	\$	
<u>Unified Court System</u>					
<u>ASSETS</u>					
Cash and Cash Equivalents.....	\$ 6,922	\$ 17,364	\$ 17,823	\$	6,463
<u>LIABILITIES</u>					
Custodial Funds Payable.....	\$ 6,922	\$ 17,364	\$ 17,823	\$	6,463
<u>Child Support Funds</u>					
<u>ASSETS</u>					
Cash and Cash Equivalents.....	\$ 1,782	\$ 92,244	\$ 90,413	\$	3,613
<u>LIABILITIES</u>					
Custodial Funds Payable.....	\$ 1,782	\$ 92,244	\$ 90,413	\$	3,613
<u>Nuclear Decommissioning Fund</u>					
<u>ASSETS</u>					
Investments.....	\$ 152,450	\$ 23,719	\$ 11,688	\$	164,481
<u>LIABILITIES</u>					
Custodial Funds Payable.....	\$ 152,450	\$ 23,719	\$ 11,688	\$	164,481
<u>Maine-New Hampshire Interstate Bridge Authority</u>					
<u>ASSETS</u>					
Investments.....	\$ 4,695	\$ 220	\$ 862	\$	4,053
<u>LIABILITIES</u>					
Custodial Funds Payable.....	\$ 4,695	\$ 220	\$ 862	\$	4,053
<u>Other Agency Funds</u>					
<u>ASSETS</u>					
Cash and Cash Equivalents.....	\$ 1,476	\$ 7,527	\$ 7,315	\$	1,688
Investments.....	422	1,090	243		1,269
Total Assets.....	\$ 1,898	\$ 8,617	\$ 7,558	\$	2,957
<u>LIABILITIES</u>					
Other Liabilities.....	21	549	538		32
Custodial Funds Payable.....	\$ 1,877	\$ 8,068	\$ 7,020	\$	2,925
Total Liabilities.....	\$ 1,898	\$ 8,617	\$ 7,558	\$	2,957
<u>Totals - Agency Funds</u>					
<u>ASSETS</u>					
Cash and Cash Equivalents.....	\$ 10,180	\$ 127,883	\$ 126,299	\$	11,764
Investments.....	157,567	25,029	12,793		169,803
Total Assets.....	\$ 167,747	\$ 152,912	\$ 139,092	\$	181,567
<u>LIABILITIES</u>					
Other Liabilities.....	\$ 21	\$ 549	\$ 538	\$	32
Custodial Funds Payable.....	167,726	152,363	138,554	\$	181,535
Total Liabilities.....	\$ 167,747	\$ 152,912	\$ 139,092	\$	181,567

Statistics



**TABLE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL , HIGHWAY, EDUCATION, AND FISH & GAME FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
REVENUES:										
General Property Taxes.....	\$ 501,704	\$ 458,201	\$ 473,706	\$ 535	\$ 563	\$ 566	\$ 408	\$ 460	\$ 376	\$ 379
Special Taxes.....	1,018,713	932,958	853,246	726,398	670,054	606,135	543,910	648,688	587,539	718,243
Personal Taxes.....	84,222	86,350	94,987	73,765	76,091	50,421	44,498	44,013	43,703	41,161
Business License Taxes.....	159,480	222,651	210,432	209,470	195,182	192,608	180,363	166,090	163,151	155,487
Non-Business License Taxes.....	155,279	67,068	65,954	62,817	61,218	59,253	56,868	55,931	53,824	53,407
Fees.....	111,044	107,900	101,247	99,730	84,789	81,989	84,704	71,185	68,671	63,687
Fines, Penalties and Interest.....	20,598	28,703	29,378	26,882	28,952	26,276	25,056	28,204	26,928	22,897
Grants from Federal Government.....	1,072,023	983,342	957,669	914,277	822,569	786,119	814,616	743,308	854,555	738,670
Grants from Private and local Sources.....	101,093	122,584	113,093	116,154	117,707	103,298	107,368	93,269	86,685	72,293
Rents and Leases.....	1,612	1,190	1,430	1,553	4,960	4,832	4,673	4,320	4,305	3,856
Interest, Premiums and Discounts.....	7,195	14,670	16,867	15,368	14,272	12,782	13,507	13,512	4,198	5,105
Sale of Commodities.....	11,354	10,420	10,284	9,826	13,141	11,634	10,485	8,907	10,000	8,701
Sale of Services.....	88,892	76,895	75,492	80,010	73,799	95,338	92,037	136,522	353,692	60,762
Assessments.....	17,365	20,674	22,434	16,771	16,441	15,157	14,058	13,625	13,968	17,231
Grants from Other Agencies.....	3,241	7,631	3,252	4,636	28,852	23,273	21,971	17,305	16,633	16,737
Miscellaneous.....	119,336	89,012	100,159	44,037	43,270	42,056	36,565	41,455	35,104	26,302
Total Revenues.....	3,473,151	3,230,249	3,129,630	2,402,229	2,251,860	2,111,737	2,051,087	2,086,794	2,323,332	2,004,918
EXPENDITURES:										
Current:										
General Government.....	113,404	185,443	184,090	178,530	172,926	177,403	180,569	184,538	179,829	175,754
Administration of Justice and Public Protection.....	235,774	217,222	201,162	193,291	196,322	166,614	156,330	150,774	140,429	135,073
Resource Protection and Development.....	136,086	133,803	118,784	114,199	106,492	102,520	91,089	89,630	87,559	101,833
Transportation.....	221,572	226,928	211,439	201,139	189,599	187,445	189,541	181,756	170,232	180,053
Health and Social Services.....	1,351,583	1,276,100	1,210,723	1,178,090	1,115,939	1,080,933	1,094,810	1,192,346	1,315,480	1,068,500
Education.....	1,207,517	1,044,843	1,035,386	274,297	260,400	225,547	205,425	202,192	205,767	249,928
Debt Service.....	82,759	81,390	81,228	78,730	74,293	75,461	74,754	65,131	63,939	59,842
Capital Outlay.....	212,586	179,568	185,391	155,663	133,435	125,492	102,758	90,956	102,952	101,033
Total Expenditures.....	3,561,281	3,345,297	3,228,203	2,373,939	2,249,406	2,141,415	2,095,276	2,157,323	2,266,187	2,072,016
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(88,130)	(115,048)	(98,573)	28,290	2,454	(29,678)	(44,189)	(70,529)	57,145	(67,098)
OTHER FINANCING SOURCES (USES):										
Operating Transfers In.....	86,434	335,978	402,754	237,886	224,071	236,315	198,214	347,000	427,745	166,823
Operating Transfers Out.....	(83,882)	(335,002)	(402,818)	(244,501)	(224,065)	(236,442)	(196,062)	(347,913)	(428,538)	(233,492)
Operating Transfers from Enterprise Funds.....	148,727	136,623	137,695	132,829	124,329	117,704	106,879	99,681	103,525	93,830
Operating Transfers to Component Units.....	(79,134)	(75,365)	(71,766)	(68,540)	(65,880)	(63,750)	(64,000)	(63,500)	(71,165)	
Proceeds from Issuance of Bonds.....	5,130					64	34	1,447		90,506
Proceeds from Refunding Bonds.....				103,351		53,595				122,400
Payment to Refunding Bond Escrow Agent.....				(103,351)		(53,595)				(122,400)
Total Other Financing Sources (Uses).....	77,275	62,234	65,865	57,674	58,455	53,891	45,065	36,715	31,567	117,667
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(10,855)	(52,814)	(32,708)	85,964	60,909	24,213	876	(33,814)	88,712	50,569
Fund Balances (Deficit) - July 1.....	348,517	402,653	435,041	349,855	288,946	264,733	263,857	297,671	208,959	158,390
Change in Reserve for Inventory.....	1,934	(1,322)	320	(778)						
Fund Balances (Deficit) - June 30.....	\$ 339,596	\$ 348,517	\$ 402,653	\$ 435,041	\$ 349,855	\$ 288,946	\$ 264,733	\$ 263,857	\$ 297,671	\$ 208,959
Ratio of Debt Services to Total Expenditures.....	2.32%	2.43%	2.52%	3.32%	3.30%	3.52%	3.57%	3.02%	2.82%	2.89%

**TABLE OF UNRESTRICTED REVENUE
GENERAL FUND - GAAP BASIS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Beer Tax.....	\$ 12,157	\$ 11,656	\$ 12,090	\$ 11,783	\$ 11,442	\$ 11,366	\$ 11,113	\$ 11,217	\$ 11,199	\$ 11,182
Board and Care Revenue.....	10,692	13,333	11,953	11,196	12,966	13,992	13,628	14,439	14,006	12,772
Business Profits Tax.....	128,574	179,615	146,443	164,833	167,471	171,990	152,683	138,348	112,293	128,727
Business Enterprise Tax.....	121,016	122,165	94,354	93,021	71,036	38,239	24,969	29,764	23,975	
Estate and Legacy Tax.....	56,958	59,348	56,368	54,744	43,274	40,734	33,270	38,456	32,128	31,064
Insurance Tax.....	76,094	66,441	59,336	62,914	54,656	57,202	50,488	42,639	43,070	48,221
Securities Revenue(1).....	26,060	28,023	25,513	22,465	20,522	18,042	15,622	13,722	13,097	
Interest and Dividends Tax.....	70,334	76,651	65,522	63,134	61,799	52,683	51,878	37,970	35,767	36,088
Liquor.....	96,237	89,344	86,015	77,444	75,440	71,713	65,971	63,626	63,990	63,463
Meals and Rooms Tax.....	164,045	157,202	149,777	137,258	128,688	118,984	113,369	107,501	101,418	95,398
Parks Revenue(2).....							5,205	4,212	5,953	5,105
Dog Racing.....	1,487	1,262	1,058	1,026	1,011	2,213	2,166	2,802	3,147	4,073
Horse Racing.....	2,701	2,592	2,429	2,427	2,238	2,778	3,032	3,053	2,782	2,430
Real Estate Transfer Tax.....	66,393	59,488	56,779	52,925	44,162	33,330	30,192	28,971	29,221	26,837
Telephone/Communications Tax.....	64,663	49,045	47,794	46,219	40,134	39,253	35,519	33,212	30,512	29,529
Tobacco Tax.....	60,294	61,007	68,381	73,784	76,128	50,436	44,537	44,065	43,712	41,189
Tobacco Settlement.....	5,725		442							
Utilities Tax.....	5,565	9,656	9,974	10,402	17,731	17,562	17,488	17,073	19,962	21,077
Courts Fines and Fees.....	23,234	23,218	22,845	21,917	21,021	20,167	18,914	19,488	19,238	19,338
Savings Bank Tax(3).....										3,040
Other:										
Corporate Returns.....	711	681	676	659	655	698	657	621	608	935
Interstate Vehicle Registrations.....	2,377	2,602	2,860	2,858	2,795	2,714	2,857	2,842	2,515	2,960
Motor Boat Registrations.....				1,779	1,847	1,757	1,600	1,747	1,451	1,435
Corporate Filing Fees.....	3,341	3,427	3,436	3,229	3,227	3,219	3,093	3,042	2,997	6,562
Interest on Surplus Funds.....	1,250	3,754	3,201	5,978	2,990	181	324	2,885	1,252	2,463
Reimbursement of Indirect Costs.....	5,511	4,255	4,094	4,903	5,100	4,184	4,215	6,151	5,648	5,595
Miscellaneous.....	32,403	32,917	27,877	26,192	29,991	26,266	24,516	25,821	26,992	19,453
Subtotal.....	1,037,822	1,057,682	959,217	953,090	896,324	799,703	727,306	693,667	646,933	618,936
Net Medicaid Enhancement										
Revenues (MER).....	98,208	85,217	74,230	70,411	67,502	54,268	101,983	116,614	250,400	180,059
Subtotal.....	1,136,030	1,142,899	1,033,447	1,023,501	963,826	853,971	829,289	810,281	897,333	798,995
Other MER Transferred to/(from)										
Uncompensated Care Pool.....	16,263	12,966	12,915	15,839	9,204	43,482	(10,483)	152,552	222,700	
Total Unrestricted Revenue.....	\$ 1,152,293	\$ 1,155,865	\$ 1,046,362	\$ 1,039,340	\$ 973,030	\$ 897,453	\$ 818,806	\$ 962,833	\$ 1,120,033	\$ 798,995

(1) Beginning in FY 1994, Securities Revenues were reported separately from the Insurance Tax.

(2) Beginning in FY 1998, Park Revenue was reclassified as Restricted Revenue.

(3) Effective July 1, 1993, the Savings Bank Tax was repealed.

**TABLE OF UNDESIGNATED FUND BALANCE
GENERAL FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Balance, July 1 (Budgetary Method).....	\$ 136,349	\$ 62,450	\$ 119,484	\$ 131,367	\$ 42,638	\$ 11,356	\$ 53,769	\$ 66,462	\$ 76,118	\$ 64,907
Additions:										
Unrestricted Revenue.....	1,136,030	1,142,899	1,033,447	1,023,501	960,530	873,749	795,996	847,406	897,333	798,995
(1)Unrestricted Revenue - UCP.....	16,263	12,966	12,915	15,839	12,500	23,704	22,810	115,427	222,700	
Total Unrestricted Revenue.....	1,152,293	1,155,865	1,046,362	1,039,340	973,030	897,453	818,806	962,833	1,120,033	798,995
Transfer from Other Funds.....	3,358	1,787	778	2,334	1,051	1,062	3,374	692	699	806
Bonds Authorized and Unissued.....	5,130			(7,337)					1,000	3,800
Additional Sweepstakes Transfer.....				8,579						
Other Credits.....	247	48	214	7,541	5,348	51	436	1,054	383	1,659
Total Additions.....	1,161,028	1,157,700	1,047,354	1,050,457	979,429	898,566	822,616	964,579	1,122,115	805,260
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government.....	228,190	227,278	226,440	203,368	185,447	185,695	175,145	192,018	177,992	176,098
Administration of Justice and Public Protection.....	161,406	154,450	149,503	136,298	128,992	109,324	107,573	99,498	96,464	86,286
Resource Protection and Development.....	41,511	38,764	37,753	38,483	37,238	35,071	40,256	37,479	38,931	30,942
Transportation.....	3,399	2,920	3,034	2,882	2,935	2,845	2,886	2,710	3,117	2,799
Health and Social Services.....	498,534	242,393	242,442	218,549	212,160	205,796	203,716	214,601	207,651	191,721
Education.....	242,657	175,520	166,644	156,335	154,785	124,941	119,970	122,203	128,932	116,434
Liquor Commission.....	25,035	22,860	23,417	22,550	22,119	20,443	20,774	19,887	19,466	19,893
(2)Special Fund.....		238,823	231,867	205,086	197,903	195,957	195,011	207,410	172,166	157,246
Subtotal.....	1,200,732	1,103,008	1,081,100	983,551	941,579	880,072	865,331	895,806	844,719	781,419
Uncompensated Care Pool.....	16,263	12,966	12,915	15,839	12,500	23,704	22,810	115,427	222,700	
Health Care Transition Fund (HCTF)...					14,786	6,500	7,912	8,418		
Total Appropriations Net of Estimated Revenues.....	1,216,995	1,115,974	1,094,015	999,390	968,865	910,276	896,053	1,019,651	1,067,419	781,419
Less: Lapses.....	(26,179)	(33,010)	(22,913)	(42,794)	(24,105)	(25,493)	(25,973)	(28,614)	(28,046)	(25,582)
Lapses - HCTF.....		(95)	(342)	(485)		(6,415)	(790)	(12,861)		
Total Lapses.....	(26,179)	(33,105)	(23,255)	(43,279)	(24,105)	(31,908)	(26,763)	(41,475)	(28,046)	(25,582)
Net Appropriations.....	1,190,816	1,082,869	1,070,760	956,111	944,760	878,368	869,290	978,176	1,039,373	755,837
Transfers to Other Funds.....			65	872	280	398	595	965	834	349
Other Debits.....		105	1,037	2,704	865	1,823	2,266	2,481	1,315	303
Transfer to (from) Fund Equity Designation or Reserve Accounts.....	83,252	827	32,526	102,653	(55,205)	(13,305)	(7,122)	(4,350)	90,249	37,560
Total Deductions.....	1,274,068	1,083,801	1,104,388	1,062,340	890,700	867,284	865,029	977,272	1,131,771	794,049
Balance, June 30 (Budgetary Method).....	23,309	136,349	62,450	119,484	131,367	42,638	11,356	53,769	66,462	76,118
GAAP Adjustments:										
Receivables.....	26,254	4,121	2,845	4,827	1,520	2,764	3,414	4,555	4,132	4,563
Accounts Payable and Accrued Liabilities.....	(67,704)	(44,552)	(48,721)	(62,191)	(58,082)	(53,199)	(58,669)	(56,777)	(52,778)	(45,246)
Transfer from General to Liquor Fund.....	(3,148)	(2,738)	(2,686)	(3,628)	(3,677)	(3,180)	(2,942)	(2,523)	(2,301)	(2,309)
Transfer from General to Special Fund.....		(9,833)	(9,889)	(27,488)	(26,127)	(29,207)	(10,531)	(34,133)	(2,546)	(1,643)
Elimination Bonds Authorized.....									(1,000)	
Additional Transfers (to) from Reserve Accounts.....		(83,347)		(31,004)	(3,602)	38,960	13,221	35,109		
Total GAAP Adjustments.....	(44,598)	(136,349)	(58,451)	(119,484)	(89,968)	(43,862)	(55,507)	(53,769)	(54,493)	(44,635)
Year-End Transfer to Education to cover.. Advances (Negative Cash Balance)...	(16,580)									
Balance, June 30 (GAAP).....	\$ (37,869)	\$	\$ 3,999	\$	\$ 41,399	\$ (1,224)	\$ (44,151)	\$	\$ 11,969	\$ 31,483

(1) UCP = Uncompensated Care Pool

(2) In fiscal year 2002, the special fund, which was used to capture federal grants and state match, was combined with the general fund

TABLE OF UNDESIGNATED FUND BALANCE
EDUCATION FUND
FOR FISCAL YEARS 1999 TO 2002
(Expressed in Thousands)

	Fiscal Year Ended June 30,				Description
	2002	2001	2000	1999	
Balance July 1.....	\$	\$ 66,348	\$124,783		
Additions					
Unrestricted Revenue					
Statewide Property Tax.....	454,135	417,964	417,975		\$6.60/1,000, retained locally
Statewide Property Tax.....	28,987	24,194	24,150		\$6.60/1,000 , not retained locally
Utility Property Tax.....	18,170	15,621	31,167		\$6.60/1,000
BPT Increase.....	32,645	15,800	22,400		1% increase from 7% to 8%
BET Increase.....	101,215	36,700	54,100		.25% increase from .25% to .50%
Meals & Rooms.....	6,604	6,859	6,350		Extension of 8% tax to motor vehicle rentals
Real Estate Tax Increase	33,073	29,735	28,231		\$2.50 increase from \$5.00/1000 to \$7.50
Tobacco Tax Increase.....	23,968	25,356	26,649		\$0.15/pack increase from \$0.37 to \$.52
Tobacco Settlement.....	40,000	38,745	37,750		Annual payment
Initial Tobacco Settlement Payment....			16,000		One-time payment
Lottery Proceeds.....	66,125	59,348	61,517		Net Profit
Other		175	2,924		Interest
Total Revenue.....	804,922	670,497	729,213		
General Fund Budgeted Appropriations.	65,690	40,559	39,584		Formerly Revenue Sharing, Foundation Aid & Kindergarten Aid
Total Additions.....	870,612	711,056	768,797		
Deductions					
Appropriations					
Adequate Education Grant.....	426,523	406,817	406,817		State Education Grant Disbursed by State
Adequate Education Grant.....	454,135	417,964	417,975		State Education Grant Retained Locally
Total Grants.....	880,658	824,781	824,792		
DRA-Hardship Grants.....	5,000	769	1,162		
DRA-Tax Relief Admin.....			200		
DOE-Kindergarten Aid.....	1,972		950		
DOE-Admin. & Computers.....			169		
Total Appropriations.....	887,630	825,550	827,273		
Less Lapses.....	(438)	(25)	(41)		
Net Appropriations.....	887,192	825,525	827,232		
Current Year Balance.....	(16,580)	(114,469)	(58,435)		
End of Year Transfers from					
General Fund.....					
FY 2000.....				\$ 124,783	Beginning Balance from Education Betterment
FY 2001.....		48,121			Chapter 158 : 42 Law s of 2001
FY 2002.....	16,580				Eliminate Negative Cash
Balance June 30.....	\$	\$	\$ 66,348	\$ 124,783	

**TABLE OF UNDESIGNATED FUND BALANCE
HIGHWAY FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Balance, July 1 (Budgetary Method).....	\$ (18,274)	\$ (7,346)	\$ 1,454	\$ 7,439	\$ 11,001	\$ (2,903)	\$ 8,299	\$ 1,050	\$ (2,104)	\$ 1,377
Additions:										
Unrestricted Revenue:.....										
Gasoline Tax.....	121,665	119,507	116,050	119,863	115,517	111,001	107,025	102,053	97,222	96,311
Motor Vehicle Fees.....	83,715	72,066	69,882	66,320	64,452	62,449	60,174	59,462	56,425	55,313
Other.....	6,343	8,872	8,344	10,544	9,263	10,090	10,709	8,405	7,501	7,383
Total Unrestricted Revenue.....	211,723	200,445	194,276	196,727	189,232	183,540	177,908	169,920	161,148	159,007
Bonds Authorized and Unissued.....									1,300	13,500
* Other Credits	19,436		1,202		767	43		370	3,586	6,154
Total Additions.....	231,159	200,445	195,478	196,727	189,999	183,583	177,908	170,290	166,034	178,661
Deductions:										
Appropriations Net of Estimated Revenues.....	229,962	222,593	214,021	211,816	200,378	175,814	193,270	168,799	168,210	182,818
Less: Lapses.....	(23,149)	(14,064)	(24,607)	(16,656)	(8,322)	(7,717)	(6,534)	(7,038)	(7,007)	(6,198)
Net Appropriations.....	206,813	208,529	189,414	195,160	192,056	168,097	186,736	161,761	161,203	176,620
Bonds Authorized and Unissued.....		-	13,309	5,736						
Other Debits.....	(155)	2,844	1,555	1,816	1,505	1,582	2,374	1,280	1,677	5,522
Total Deductions.....	206,658	211,373	204,278	202,712	193,561	169,679	189,110	163,041	162,880	182,142
Balance, June 30 (Budgetary Method).....	6,227	(18,274)	(7,346)	1,454	7,439	11,001	(2,903)	8,299	1,050	(2,104)
GAAP Adjustment:										
Receivables.....	360	271	1,596	269	404	934	317	777	560	4,257
Accounts Payable and Accrued Liabilities.....	(10,696)	(8,414)	(9,956)	(9,131)	(9,735)	(9,803)	(8,567)	(9,707)	(8,923)	(5,866)
Bonds Authorized and Unissued.....				(13,309)	(19,045)	(19,045)	(19,109)	(19,142)	(19,590)	(18,290)
Total GAAP Adjustments.....	(10,336)	(8,143)	(8,360)	(22,171)	(28,376)	(27,914)	(27,359)	(28,072)	(27,953)	(19,899)
Reclassification of Designated Balance.....							39,732	42,962	32,515	6,377
Balance, June 30 (GAAP).....	\$ (4,109)	\$ (26,417)	\$ (15,706)	\$ (20,717)	\$ (20,937)	\$ (16,913)	\$ 9,470	\$ 23,189	\$ 5,612	\$ (15,626)

* FY 2002 Other Credits of \$19,436 represents accumulation of local revenue in excess of estimates over several years.

**TABLE OF UNDESIGNATED FUND BALANCE
FISH AND GAME FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Balance, July 1 (Budgetary Method).....	\$ 3,599	\$ 4,277	\$ 5,464	\$ 5,006	\$ 4,310	\$ 4,068	\$ 4,539	\$ 3,999	\$ 3,176	\$ 3,235
Additions:										
Unrestricted Revenue.....	8,374	8,230	7,928	8,158	7,923	7,397	6,769	6,819	6,654	6,715
Other Credits.....	806	811	878	742	847	791	871	640	818	0
Total Additions.....	9,180	9,041	8,806	8,900	8,770	8,188	7,640	7,459	7,472	6,715
Deductions:										
Appropriations Net of Estimated Revenues.....	10,545	10,238	10,419	8,809	8,350	8,311	8,413	7,502	7,294	7,073
Less: Lapses.....	(1,131)	(667)	(426)	(479)	(276)	(385)	(302)	(730)	(645)	(327)
Net Appropriations.....	9,414	9,571	9,993	8,330	8,074	7,926	8,111	6,772	6,649	6,746
Other Debits.....	41	148	0	112	0	20	0	147	0	28
Total Deductions.....	9,455	9,719	9,993	8,442	8,074	7,946	8,111	6,919	6,649	6,774
Current Year Balance.....		(678)	(1,187)	458	696	242	(471)	540	823	(59)
Balance, June 30 (Budgetary Method).....	3,324	3,599	4,277	5,464	5,006	4,310	4,068	4,539	3,999	3,176
GAAP Adjustment:										
Receivables.....	299	152	160	438	211	128	124	102	130	96
Accounts Payable and Accrued Liabilities.....	(1,027)	(1,036)	(1,178)	(1,238)	(1,325)	(1,182)	(1,120)	(871)	(992)	(782)
Total GAAP Adjustments.....	(728)	(884)	(1,018)	(800)	(1,114)	(1,054)	(996)	(769)	(862)	(686)
Balance, June 30 (GAAP).....	\$ 2,596	\$ 2,715	\$ 3,259	\$ 4,664	\$ 3,892	\$ 3,256	\$ 3,072	\$ 3,770	\$ 3,137	\$ 2,490

**SCHEDULE OF REVENUE BOND COVERAGE RATIO
TURNPIKE SYSTEM REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

Fiscal Year	Gross Revenues*	Direct Operating Expenses*	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
2002	66,218	23,877	42,341	9,415	17,037	26,452	1.60
2001	63,981	21,352	42,629	6,785	18,567	25,352	1.68
2000	63,034	22,064	40,970	6,645	19,807	26,452	1.55
1999	59,257	18,794	40,463	5,817	16,469	22,286	1.82
1998	58,033	16,352	41,681	6,063	15,615	21,678	1.92
1997	55,714	17,231	38,483	5,653	15,944	21,597	1.78
1996	53,231	17,024	36,207	5,348	16,247	21,595	1.68
1995	51,670	17,336	34,334	4,416	16,462	20,878	1.64
1994	49,573	15,749	33,824	3,525	14,744	18,269	1.85
1993	47,859	15,968	31,891	2,940	13,623	16,563	1.93

* - Amounts as defined in Turnpike System Bond Resolutions.

**RATIO OF GENERAL LONG-TERM DEBT TO ASSESSED VALUE
AND GENERAL LONG-TERM DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)					
Fiscal Year	(1)	(2)	(3)	Ratio Of	General Long-
	Population	Assessed Value	General Long-Term Debt	General Long-Term Debt To Assessed Value	Term Debt Per Capita
2002	1,275	\$ 102,045,864	\$ 682,389	0.67	\$ 535
2001	1,259	99,073,654	628,406	0.63	503
2000	1,236	86,703,541	592,110	0.68	479
1999	1,201	76,154,469	645,907	0.85	538
1998	1,186	70,239,891	617,525	0.88	521
1997	1,173	65,331,719	661,353	1.01	564
1996	1,161	62,883,249	663,286	1.05	572
1995	1,146	61,338,431	646,316	1.05	564
1994	1,133	60,548,790	614,982	1.02	543
1993	1,122	60,372,131	610,456	1.01	544

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (2002 estimated).
 (2) New Hampshire Department of Revenue Administration (2002 estimated). Equalized evaluation.
 (3) Includes all General Obligation Bonds Payable of the Primary Government.

**DEMOGRAPHIC STATISTICS
FOR THE LAST TEN FISCAL YEARS**

Year	Population	Per Capita Income	Unemployment Rate
2002	1,275,000	\$ 36,913	4.5%
2001	1,259,000	35,086	2.9
2000	1,236,000	33,332	2.8
1999	1,201,000	31,325	2.6
1998	1,186,000	29,596	2.7
1997	1,173,000	27,613	3.2
1996	1,161,000	26,042	4.4
1995	1,146,000	25,008	3.9
1994	1,133,000	24,119	4.6
1993	1,122,000	22,918	6.5

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (2002 estimated).
 (2) U.S. Dept. of Commerce, Bureau of Economic Analysis, reflects the most current available data for all years represented (2002 estimated).
 (3) New Hampshire Department of Employment Security, Economic and Labor Market Information Bureau.

NUMBER OF BUILDING PERMITS FOR HOUSING UNITS FOR THE LAST TEN CALENDAR YEARS

Building Permits Issued By Number of Units

<u>Fiscal Year</u>	<u>Single Family</u>	<u>Multi- Family</u>	<u>Total</u>
2002*	6,593	1475	8,067
2001	5,608	543	6,151
2000	6,097	583	6,680
1999	5,696	630	6,326
1998	5,310	461	5,771
1997	4,598	806	5,404
1996	4,233	693	4,926
1995	4,105	318	4,423
1994	4,130	537	4,667
1993	3,724	467	4,191

Source: U.S. Department of Commerce, Bureau of the Census.

* Data is annualized based on activity through August 2002

Largest Employers (Excluding Federal, State and Local Governments)

<u>Company</u>	<u>Employees</u>	<u>Primary New Hampshire Site</u>	<u>Principal Product</u>
1. Wal-Mart Stores, Inc.	7,500	Multiple	Retail Department Stores
2. DeMoulas/Market Basket	5,800	Multiple	Supermarkets
3. BAE Systems	4,400	Nashua	Communications
4. Compaq Computer Corp	4,359	Nashua	Computer
5. Shaw's Supermarket	4,071	Multiple	Supermarkets
6. Hannaford Brothers-Shop'N Save	3,900	Multiple	Supermarkets
7. Dartmouth College	3,600	Hanover	Private College
8. Fidelity Investments	3,445	Merrimack	Financial Services
9. Liberty Mutual	3,173	Multiple	Financial Services
10. Concord Hospital	2,367	Concord	Hospital
11. Elliot Hospital	2,145	Manchester	Acute Care Hospital
12. Verizon Communications.	2,100	Multiple	Telecommunications
13. Genesis Eldercare	2,000	Multiple	Long-Term Health Care Provider
14. Teradyne Inc Connection Systems Div	2,000	Nashua	Semi-conductor
15. Sears at Fox Run Mall	1,880	Newington	Home&AutomotiveProducts
16. Osram Sylvania Inc	1,800	Hillsboro	Light Sources
17. Freudenberg-Nok	1,638	Bristol	Custom-molded products
18. N.H. International Speedway	1,500	Loudon	Motorsports Facility
18. St. Joseph Hospital and Affiliated Co.	1,500	Nashua	Hospital
20. Catholic Medical Center	1,400	Manchester	Healthcare Providers
20. Timken Aerospace	1,400	Keen	Super Precision Bearings

Source: *New Hampshire Business Review*, December, 2001.

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